Austria	Sch24	Iran	Rls210	Pakistan	Rs23
Bahrain	Din0.700	Israel	Shk3.50	Philippines	Pso40
Belgium	BFr55	Italy	L2000	Poland	Zl 9,000
Cyprus	C£0.90	Jordan	JD1	Portugal	Esc165
Denmark	DKr12.00	Korea	Won 2000	Qatar	QR9.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR7.00
Finland	FM9.50	Lebanon	L£400.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta165
Germany	DM2.50	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr150	Morocco	MDh9.00	Switz	SFr2.50
Hungary	Ft107	Neth	Fl 3.25	Thailand	Bt50
Iceland	IKr160	Nigeria	Naira12	Tunisia	Din0.800
India	Rs15	Norway	NKr12.00	Turkey	L2000
Indonesia	Rp3100	Oman	OR1	UAE	Dh7.00

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JAPAN

The rise of the yen boosts confidence

Page 7

World News

Li sentenced to four years' imprisonment for corruption

Mr Ronald Li, the former chairman of the Hong Kong stock exchange and one of the colony's richest men, was sentenced to four years' imprisonment on two charges of corruption. Page 20; Hong Kong morale boosted; Page 7

Oslo coalition threat

Norway's minority coalition government is in danger of collapsing over bitter internal divisions about relations with the European Community. Page 3

Rwanda peace bid

Rwandan President Habyarimana said he accepted a Belgian plan, forged in Paris, calling for neutral troops to supervise a ceasefire between his army and rebels invading from neighbouring Uganda.

Natal order lifted

President de Klerk lifted a four year state of emergency in troubled Natal, the last South African province where the measure had been in force. Page 20; De Klerk in the Netherlands; Page 3

Truck blockade ends

Striking Spanish truck drivers lifted their four-day blockade of main roads, allowing fresh food into cities and reopening border crossings. Page 2

El Salvador attack

Left-wing guerrillas in El Salvador launched a surprise attack on the army's main air base on the outskirts of the capital. Page 5

Arab condemnation

The 21-member Arab League, meeting in Tunis, condemned Israel for last week's killing of 21 Palestinians in Jerusalem and criticised the US response. Earlier Report, Page 8

OAU appeals for aid

The Organisation of African Unity appealed for more cash to help 17m Africans left homeless by war, and said the continent faced human disaster if aid did not come.

Norway near-miss

Two DC-9 aircraft flying over Norway narrowly missed a mid-air collision when a pilot spotted the other jet's lights coming straight at him.

US fraud roundup

Los Angeles police arrested 51 people on charges of defrauding insurance policy holders of $45m by staging phoney accidents and issuing false medical certificates.

Riviera flash flood

A flash flood on the French Riviera devastated hundreds of homes, cut roads and claimed at least one life.

Korean detente

The prime ministers of North and South Korea wrapped up two days of talks in Pyongyang, agreeing to hold further meetings but making little progress in narrowing differences. Page 7; Farmers' livelihood threatened, Page 4

Kenyan crackdown

Kenya successfully evicted thousands of slum dwellers from a Nairobi suburb, five months after the first attempt sparked fierce rioting and clashes with police.

Business Summary

Rising bond prices help boost Dow by 64 points

Wall Street stocks soared, with the Dow Jones Industrial Average closing up by 64.85 points at 2,452.72, on a sharp fall during the day in oil prices and rising bond prices. Traders said the market received a considerable boost from gains in Treasury bond prices, which pushed interest rates lower.

In Tokyo, the Nikkei ended at the day's high of 24,367.08, up 507.72 or 2.1 per cent – its first close above 24,000 since September 17. In Frankfurt, the DAX index rose 29.28 to 1,470.07, while the FAZ gained 11.33 to 629.29. Most European bourses closed higher. Back Page, Section II

RENAULT and Volvo are seeking a 40 per cent stake in Skoda, the Czechoslovak car maker, and have put forward an investment plan totalling FFr13bn ($2.57bn) to modernise and expand Skoda's operations in the 1990s. Page 21

SWEDEN's central bank raised market interest rates sharply for the second time in a week to a record level of 17 per cent to prevent a run on the krona prompted by speculation about a devaluation. Page 2

BANKAMERICA, largest bank on the US west coast, underlined the relative buoyancy of the Californian economy when it announced an 11 per cent increase in third-quarter earnings. Page 24

DIGITAL Equipment, world's second largest computer manufacturer, reported lower than expected first quarter earnings and a small decline in revenues. Page 21

HUNGARY said it was open to offers for all the enterprises it owns from today. Page 3

WPP Group's international advertising agencies Ogilvy & Mather and J. Walter Thompson have won more than $140m of business from Kraft General Foods. Page 21

US negotiators unexpectedly blocked a trade-liberalising agreement on telecommunications in the Uruguay Round talks. Page 4

SAAB-SCANIA, Swedish vehicle and aerospace group, reported a 35 per cent increase in profits to SKr1.35bn (US$240m). Page 22

ARTHUR Andersen & Co, international accountancy and consultancy group, reported revenues up 23 per cent from $3.38bn to $4.16bn in the year to the end of August. Page 24

BRITISH Petroleum plans to raise NZ$360m ($216m) by selling its New Zealand gas production interests to Fletcher Challenge, New Zealand's biggest company. Page 21

AMERICAN Telephone & Telegraph, leading provider of long-distance telephone calls in the US, announced little change to third-quarter net profits. Page 24

WEST German bond market surged ahead as the oil price dropped below $34 a barrel and the D-Mark tested new highs against the dollar. Page 26

JAPAN's three leading department stores – Mitsukoshi, Takashimaya and Daimaru – saw strong growth in consumer demand boost first-half sales. Page 25

Soviet oil industry wins $1bn deal from Moscow

By Quentin Peel in Tyumen, Siberia

THE HUGE Soviet oil industry is to be allowed to spend up to $1bn in hard currency earnings next year on equipment and consumer goods for its workers, in an attempt to head off unrest in the country's most important industrial sector.

The agreement has been wrung out of the Soviet government by repeated strike threats from oil industry workers at a time when the country is already desperately short of hard currency to pay for centrally ordered imports. Payment delays to suppliers are currently running at some Rbs2bn (nearly $3bn).

Threats of token stoppages, a ban on pipeline maintenance, and the mass resignation of up to 40,000 technical engineers are under discussion in different parts of the west Siberian oilfield, which produces 60 per cent of Soviet oil.

Total production from the Soviet industry, the world's largest, is likely to be up to 27m tonnes short of its planned target of 602m tonnes this year, largely because of lack of equipment from Soviet industry and industrial unrest.

However, there is no guarantee that the deal will be enough to calm an increasingly restive workforce, which is demanding greater independence from Moscow, better living and working conditions, and a guarantee of better supplies.

The deal was agreed in Moscow at a Council of Ministers' meeting earlier this month, but has not been officially published, according to top industry and union officials in Tyumen, capital of the vast west Siberian oil field.

Mr Nikolai Trifonov, chairman of the Tyumen region's trade union committees, said yesterday that the government deal would give the region $900m to $1bn in hard currency to spend in the coming year.

However, industry officials in the region said the agreement would in fact allow the Tyumen Oil and Gas Association to keep up to 50 per cent of its hard currency earnings – potentially a far larger sum once east European customers switch to payment in hard currency from next January. The region contributes the vast majority of the Soviet Union's 130m tonnes of exports.

Mr Trifonov said the currency deal was a compromise, but the unions still wanted the industry itself to have control over the sale of 30 per cent of its oil output, in order to ensure its own supplies. The region produces about 350m tonnes per year.

The unions are also demanding a huge increase in the government's purchase price for crude – from the current Rbs23 per tonne, to Rbs180. Mr Trifonov said the government had promised an increase to Rbs60 per tonne from January 1, for western Siberia, and Rbs70 for other areas.

However, the main danger to the industry is the mass resignation threat from tomorrow of up to 40,000 oil field engineers. They are facing heavy fines from management for failing to observe security and environmental regulations, being enforced for the first time.

Gorbachev plan, Page 2; European energy charter, Page 20

World trade talks near collapse over farm subsidies row

By William Dullforce in Geneva, and Tim Dickson and Lucy Kellaway in Brussels

THE URUGUAY Round trade talks were in danger of breaking down yesterday after Argentina and Germany threatened to disrupt them over the controversial issue of the European Community's proposal to cut farm subsidies by 30 per cent.

Mr Felipe Sola, Argentina's farm minister, said that his country would walk away from the talks if the EC did not improve its offer to cut farm subsidies.

Mr Helmut Kohl, the German chancellor, on the other hand, in a blunt telephone call to Mr Jacques Delors, the commission president, warned that Brussels must modify its proposal to make it more acceptable to European farmers.

Argentina, one of the world's biggest grain and beef producers, has already halted the talks once before, when it led a four-month walk-out by Latin American countries over the same issue in 1988.

The European Commission is locked in battle with member states over its plan to cut supports by 30 per cent. Most regard the cuts as too harsh, but Mr Sola described them yesterday as "absolutely insufficient".

Details of Mr Kohl's conversation with Mr Delors were disclosed confidentially to other commissioners before Wednesday's weekly meeting of the commission. Mr Delors was left in no doubt that the outcome of the EC's internal deliberations on the farm issue would affect "other discussions" between Brussels and Bonn.

The US has unexpectedly blocked a trade-liberalising deal on telecommunications in the Uruguay Round talks just as negotiators had almost reached full agreement. The disagreement concerns the draft text of an annexe on telecommunications to be added to a General Agreement on Services (Gats). To the fury of other delegations, the US said it wanted a derogation – the right to exemption – for its telecommunications from the most-favoured-nation (MFN) principle embodied in the Gats framework agreement. Page 4

Mr Kohl's intervention is bound to influence today's meeting in Luxembourg of EC agriculture ministers, who will be meeting for the third time in less than two weeks to try to endorse the commission's Uruguay Round proposal.

Opposition to the plan – vocally led by Mr Ignaz Kiechle, the German farm minister – has focused on what many member states see as insufficient promises of compensation for the worst affected producers.

Mr Kiechle, however, has also been adamant that the Brussels offer does not adequately protect EC producers from the effects of cheap imports and that it should be modified accordingly.

Those in Brussels seeking to liberalise farm trade had hoped that Mr Kiechle might be overruled by other members of the Bonn Government.

Mr Frans Andriessen, the EC's trade commissioner, yesterday said the commission would not be swayed by mounting pressure from member states into watering down its present proposal. "The Commission's proposal is balanced, and we intend to defend it," he told Unice, the European employers' federation. "The Commission has not changed, and does not intend to change its position."

However, Mr Kohl's telephone appeal suggests that he remains deeply worried about alienating the still powerful German farm lobby before the first all-German elections in December. There is also widespread suspicion that he intends to endorse a new push towards monetary union from January 1 1994.

Speaking in Geneva, meanwhile, Mr Sola said Argentina would refuse to sign trade-liberalising agreements on any other of the many issues under negotiation in the Uruguay Round until a positive result had been achieved in agriculture. He was confident that other farm-exporting countries in the 13-nation Cairns Group, led by Australia, would follow Argentina's example.

Like the US, the Cairns Group is seeking reductions of 90 per cent in export subsidies and 75 per cent in internal

Food groups warning, Telecom deal blocked, South Korean farmers threatened, Page 4

Continued on Page 20

Oil prices fall sharply as fear of war in Gulf recedes

By Steven Butler in London

WORLD crude oil prices fell sharply yesterday as the fear of war in the Middle East receded and traders reacted to growing evidence that markets are abundantly supplied.

Brent oil for December delivery fell by $2.925 a barrel to $33.075 in European trading. Crude oil prices for prompt delivery have fallen by $6 a barrel this week, virtually wiping out the steep premium for immediately available supplies.

The abundance of crude oil supplies was confirmed by revised supply estimates yesterday from the International Energy Agency, the Paris-based agency responsible for co-ordinating the response to a supply emergency for 21 industrialised countries. The IEA estimated September Opec production at 22.2m barrels a day, up from a previous estimate of 22m b/d.

The IEA also raised significantly its estimates for the availability of crude oil through the winter – to reflect both rising production and a fall in demand caused by slower economic growth and higher prices. Its fourth quarter estimate of Opec production has been raised by 200,000 b/d to 22.4m b/d.

Mr Quincy Lumsden, IEA director for oil market developments, said the agency had lowered its estimate of oil used from private sector stockpiles during the winter.

Earlier projected stock releases of 1.5m b/d in the fourth quarter, and 1.3m b/d in the first quarter of 1990, have been reduced to only 1m b/d in each of those quarters.

US asks IMF to increase lending to east Europe

By Lionel Barber in Washington

THE US is to ask the International Monetary Fund to increase lending to eastern Europe by up to $5bn to soften the impact of higher oil prices caused by the Gulf crisis.

President George Bush yesterday also pledged to press the World Bank to accelerate its $9bn aid programme to the region.

The administration is worried that eastern Europe's difficult progress towards democracy and a market system could be thrown off course by the rise in energy costs, jeopardising the west's strategic gain following the collapse of communism.

The decisions were announced at a White House reception for Mr Jozsef Antall, the Hungarian prime minister, who arrived in the US this week seeking investment and agricultural subsidies.

Senior US officials believe that pressure on Poland, Czechoslovakia and Hungary will further increase early next year when the Soviet Union is expected to require its Comecon partners to pay hard currency and market prices for the bulk of Soviet oil exports.

This will eat up foreign exchange reserves and create havoc with structural adjustment programmes agreed or under negotiation with the IMF, according to US officials.

Mr Bush's support for new IMF lending is intended to head off these problems, although a European Commission study released this week said higher oil prices resulting from the Gulf crisis and their knock-on effects could cost eastern Europe $7bn this year, and much more next.

Mr Bush said the US was committed to helping Hungary find "a secure place in the new Europe".

Noting that Mr Antall was the first democratically-elected Hungarian premier in more than 40 years to visit Washington, Mr Bush announced the lifting of travel restrictions on Hungarian diplomats in the US and agreed to Budapest's request to set up a new consulate in Los Angeles. He added, however, that US companies had already invested more than $500m in Hungarian enterprises.

Mr Antall said Hungary had laid the groundwork for a market economy, but economic change was more difficult than political change. He hoped the aid proposed by Mr Bush would help Hungary survive "this very severe crisis".

Mr Antall also paid tribute to US policy in the 1980s, which was to engage the Soviet Union in a military, economic and technological competition. This pressure, he said, had helped persuade President Mikhail Gorbachev to "make an attempt to change the Soviet Union".

During the Gulf crisis, international concern has tended to focus on the so-called frontline states – Egypt, Turkey and Jordan – who are hardest hit by the rise in oil prices and the United Nations economic embargo against Iraq. Mr Bush's move to help Hungary and other emerging eastern European democracies is seen as an attempt to redress the balance.

Energy charter, Page 20; Hungarian state industry sale, Page 3; Italian credits boost Moscow trade, Page 4; Bush under a cloud, Page 18

Michelin forecast of FFr2.3bn loss triggers fall in share price

By William Dawkins in Clermont Ferrand

MICHELIN, the world's largest tyremaker, yesterday forecast much larger than expected losses for this year and announced another round of cost-cutting measures, including possible job losses.

The group warned that it was expecting a swing to at least a FFr2.3bn ($45m) net loss for 1990, from last year's FFr2.6bn profit. The news prompted a FFr6.8 or 9.1 per cent fall in Michelin's shares – which were briefly suspended in Paris and London early yesterday – to FFr68.

Yesterday's briefing, from a normally reticent Michelin, has put an end to days of speculation that provoked a steep rise in the group's share price before yesterday's sharp fall.

Michelin's turnover this year is expected to rise from FFr55.25bn to FFr64.8bn, including the first sales contribution from Uniroyal Goodrich, the US tyremaker bought by Michelin last May for $715m. Excluding Uniroyal Goodrich, due to break even, group sales will fall slightly to FFr52.7bn.

This is the latest sign of a tyre industry burdened by overcapacity, where all producers' margins are suffering from price competition in the face of stagnant demand in Europe and a decline in the US. It is also a mark of the highly indebted Michelin's exposure to higher interest rates and the dollar's weakness.

On top of this will come as yet unquantified restructuring costs. Last June, 2,260 job losses were announced at Michelin's French plants. A package of "drastic" industrial, administrative and commercial cost-saving measures, plus reductions in investments and stock levels, should bring Michelin to break even by the second half of 1991, said Mr Eric Bourdais de Charbonnière, finance director.

It was too early to know whether Michelin would make an overall profit next year; nor would he give details of the cuts beyond saying that the aim was to improve gross profit margins by FFr2.5bn annually. The group did not exclude job cuts in the US.

"It is time for us to consolidate our position," said Mr François Michelin, group chairman. He predicted that "in years to come there will a further reduction in the number of tyre manufacturers and groupings". However, Mr Michelin was adamant that he had made the right judgement in buying Uniroyal Goodrich, which lifts Michelin's share of the world market to 20.5 per cent, ahead of Goodyear.

The acquisition of Uniroyal Goodrich – with its $800m borrowings – has lifted Michelin's net debts from FFr22bn to FFr33.7bn, representing 1.8 times shareholders' funds, not including subordinated loans. This, plus the rise in interest rates, will more than triple Michelin's interest charges from last year's FFr976m to an estimated FFr2.8bn.

Group operating profits, before financial charges, are due to fall from FFr4.69bn to Fr1.87bn, affected by a FFr900m exchange rate loss, mainly on the dollar earnings of Michelin, which makes a third of its sales in the US.

Weekend FT

Tomorrow: Yassir Arafat, the Gulf Crisis and the Palestinian question

•

Travel: Skiing – where the snow is; India without tears

CONTENTS

How the language of apartheid evokes ties that divide

The word "apartheid" is laden with emotion in the Netherlands, a country reputed to be South Africa's fiercest critic in Europe. Yet, the two countries have close ties. Next week, President de Klerk visits The Hague

Page 3

MARKETS

STERLING
New York: $1.97 (1.982)
London: $1.954 (1.985)
DM2.9525 (2.97)
FFr9.8925 (9.9475)
SFr2.4875 (2.5)
Y244.0 (248.0)
£ index 94.4 (95.0)

GOLD
New York: Comex Dec $373.0 (369.8)
London: $366.75 (same)

N SEA OIL (Argus)
Brent 15-day Dec $33.075 (36.0)

Chief price changes yesterday: Page 21

DOLLAR
New York close
DM1.4975 (1.51225)
FFr5.018 (5.067)
SFr1.2602 (1.272)
Y124.4 (127.2)
London:
DM1.5105 (1.511)
FFr5.0625 (5.0825)
SFr1.2735 (1.2725)
Y124.9 (125.2)
$ index 60.3 (60.1)
Tokyo close: Y124.40

US closing rates
Fed Funds $7\frac{15}{16}$% (6)
3-mo Treasury Bills: yield: 7.48% (7.41)
Long Bond: $99\frac{5}{32}$ ($98\frac{9}{16}$)
yield: 8.82% (8.88)

STOCK INDICES
FT-SE 100: 2,082.6 (+14.6)
FT Ordinary: 1,618.1 (+17.3)
FT-A All-Share: 1,007.82 (+0.6%)
FT-A World Index: 131.13 (+1.7%)
New York close
DJ Ind. Av. 2,452.72 (+64.85)
S&P Comp 305.73 (+6.97)
Tokyo: Nikkei 24,367.08 (+507.72)

LONDON MONEY
3-mo Interbank close: $13\frac{27}{32}$ ($13\frac{27}{32}$-$13\frac{13}{16}$)
Liffe long gilt future: Dec $83\frac{7}{8}$ ($83\frac{3}{4}$)

Devaluation fears force Swedish interest rate jump

By **John Burton** in Stockholm

SWEDEN'S central bank yesterday raised short term market interest rates sharply for the second time in a week to 17 per cent, the highest level since 1981. The aim was to prevent a run on the krona prompted by speculation about a devaluation.

The two interest rate rises, which total a 5 percentage point increase since Friday, are the prelude to an anti-inflation package the Social Democratic government will introduce next week after consultations with the other political parties.

The Stockholm bourse was swept by rumours that the economic package could include a Swedish link to the European Monetary System as well as a long-term freeze on local government taxes, stiffer rules on worker sickness benefits and a cap on wage growth next year.

The bourse, which fell heavily yesterday morning on the news of the interest rate rise, recovered in the afternoon to close just below Wednesday's level after the government statement about the new economic package. The decision by the Riksbank to raise interest rates by 3 percentage points to 17 per cent, followed an announcement that the foreign currency outflow last week amounted to SKr12bn (£1.1bn), a record figure for a one-week period. This caused panic on Stockholm's foreign exchange markets on Wednesday.

"There is continuing uncertainty in the foreign exchange market and we must do this to achieve an inflow of foreign currency," said Mr Bengt Dennis, the Riksbank governor.

Sweden is expected this year to borrow SKr450bn in short-term foreign-currency loans to finance its estimated current account deficit of SKr50bn, support a large increase in direct corporate investments abroad, and pay for purchases of foreign securities. But foreign investors have been selling the krona in recent days on speculation that Sweden would have to devalue in order to restore growth to its deteriorating economy, which is heading for a period of stagflation.

"The worry on the foreign-exchange market was greater than we expected and we must take stronger measures," explained Mr Dennis. "My impression is this intervention will be convincing and no further rises will be needed."

The Riksbank is carrying out the interest rate increase through the overnight lending rate to banks and brokerages and intervention in the money markets to drive up the interest rates on six-month state bonds to 17 per cent. Economists with Swedish banks believe the interest rate rise may be only a temporary measure to convince foreign traders Sweden is determined to keep the krona stable.

Delors and Kohl agree Emu date

By **David Buchan** in Brussels and **David Goodhart** in Bonn

MR Jacques Delors, the European Commission president, yesterday congratulated Chancellor Helmut Kohl on publicly accepting as "a reasonable compromise" the date of January 1 1994 for the start of the second stage of monetary union.

Mr Delors said the German leader's willingness to override the doubts of his finance minister and central bank president about a fixed timetable meant there was now "broad agreement among 11 member states" on the pace of economic and monetary union (Emu). He hoped the commitment to a date would be endorsed by the EC summit in Rome.

Mr Kohl on Wednesday for the first time explicitly committed Germany to a date for stage two by describing the Spanish proposal of January 1, 1994 as "a sensible compromise". He emphasised that a European central bank must be independent and have "the quality of the currency" as its "exclusive" aim. He also stressed the need to harmonise fiscal policies during stage two.

The latter comments will find favour with Mr Karl Otto Pöhl, Bundesbank president, but both Mr Pöhl and Mr Theo Waigel, the Bonn finance minister, have opposed naming a date for the start of stage two.

Yesterday Mr Waigel said: "Instead of talking about dates we should be discussing more intensively the pre-conditions for European currency union."

If there is agreement on the date at the October 27-28 gathering of EC leaders, it could transform what was otherwise billed as a relatively low-key meeting into a major controversy, with Mrs Thatcher certain to complain that Britain's EC partners are forcing monetary treaty talks that are not due until December.

UK diplomats said yesterday that it was senseless to try to agree the timing, before establishing the content, of the next move towards monetary union.

The "date debate" heated up in August when the European Commission came out in favour of moving into a new institutional phase of EMU and setting up the embryo federal central bank – the Eurofed – by January 1,1993, the long-planned deadline for the EC's single market.

Abel Agambegyan rubs his eye as he explains the Gorbachev market reform plan to deputies of the Supreme Soviet yesterday

Gorbachev plan makes virtue of vagueness

By **Leyla Boulton** in Moscow

PRESIDENT Mikhail Gorbachev's market reform plan, which the Soviet parliament is likely to adopt today or tomorrow, is deliberately vague in order to accommodate differences between republics, according to its principal author.

"It's not up to parliament to adopt a detailed plan," Professor Abel Aganbegyan told deputies yesterday, saying this was why the new document was called "basic directions" rather a "programme". Mr Boris Yeltsin, the Russian president, has called the plan a catastrophe.

The draft which will be put to parliament by Mr Gorbachev today is an attempt to combine the radical 500-day programme drawn up under Professor Stanislav Shatalin and a conservative Soviet government plan. ("The same words but different music," was how one radical economist compared the latest project's superficial resemblance to the Shatalin programme.)

While many radicals say price rises already approved by parliament and the president make the Shatalin plan unrealistic, they attack Mr Gorbachev's new draft on two main counts: its failure to embrace private property as the basis for economic recovery, and the limpness of its financial stabilisation measures.

Mr Yuri Boldyrev, a young radical from Leningrad, said the hyperinflation which would ensue constituted "highway robbery" of ordinary people who would lose them their life's savings. By not opting for a sweeping and rapid sell-off of state assets, it would also maintain the Communist bureaucracy's grip over the economy.

Professor Oleg Bogomolov, a leading economist and adviser to Mr Yeltsin, told parliament yesterday that the document was unclear on how the rouble would be strengthened, and the budget deficit and inflation kept under control.

But even he said that parliament, which a month ago failed to choose either the Shatalin programme or that of Mr Nikolai Ryzhkov, the Soviet prime minister, should adopt the latest plan, even if it is flawed. "We've run out of time," he said in an interview after the session.

The main points of the plan are:

● Soviet republics set up an inter-republican economic committee to manage common areas, such as a co-ordinated credit and monetary policy, defence and energy. They also pay federal taxation and contribute to a central foreign currency fund to finance "foreign economic activities". Oil, gas, gold, diamonds, precious stones, and possibly other goods in a list to be agreed with the republics, are to remain "all-union export resources".

● Until demonopolisation and competition are introduced to create an efficient market, the government will seek to guarantee fixed prices for a third of all goods on sale, including fuel and raw materials, as well as fixed retail prices for basic necessities. Republics will be allowed to freeze prices in cases of "excessive increases".

● Wages will be indexed according to a basket of consumer goods yet to be specified. Interest rates on savings accounts will also be increased to try to soak up much of the money chasing too few goods.

● Ending subsidies to enterprises, with some exceptions yet to be agreed. Existing economic ties and agreements between enterprises and the state to stay in force until end-1991.

● Granting "the right to private property", including to foreigners, but acknowledging the equality of all other forms of property.

Spanish truckers lift blockade

By **Peter Bruce** in Madrid

STRIKING Spanish truck drivers yesterday lifted their four-day blockade of main roads, allowing fresh food into cities and reopening border crossings.

The strike, ostensibly over by a 24 per cent rise in diesel prices, has halted much of the car industry – which relies on prompt delivery of components – for most of the week. Renault has been forced to close three plants in France and another in Belgium. Spanish steel and chemicals producers have also been hit.

The Transport Ministry yesterday agreed to three of the strikers' demands – establishing a labour arbitration framework, regularising transport paperwork to help establish minimum tariffs and tightening up entry into the industry.

Madrid has been surprised by the ease with which an essentially unorganised group was able to bring the country to its knees. More than 80 per cent of goods distributed around Spain go by road.

Although the strikers have lifted their pickets, they are still striking and have threatened to end negotiations.

Tim Dickson in Brussels adds: Mr Karel van Miert, the EC transport commissioner, yesterday tried to mediate in the row between Italy and Austria over lorry transit rights. Italy closed its border with Austria this week protesting at the lack of Austrian licences granted.

Row over TV sports rights

By **Raymond Snoddy**

A PLANNED deal between the European Commission and the European Broadcasting Union over television rights to sports events came under fire yesterday from a British independent television production company.

Still Moving Films, representing four European satellite channels, said the proposed deal was "wholly unacceptable".

Private broadcasters and satellite operators have been at loggerheads with the EBU, a club of national public service broadcasters, over access to sports events complaints have been made to the Commission.

Earlier this year the EBU decided against admitting satellite broadcasters as members but agreed a set of rules to sub-license rights to televise sports events, although they could only be shown after the event.

Time is running out for Yugoslavia

Growing ethnic tension is halting communications, write **Laura Silber** and **Judy Dempsey**

A YOUNG Canadian businessman shook his head in disgust. "It's over. I cannot deal with Yugoslavia any more. I'm going to try buying from Romania."

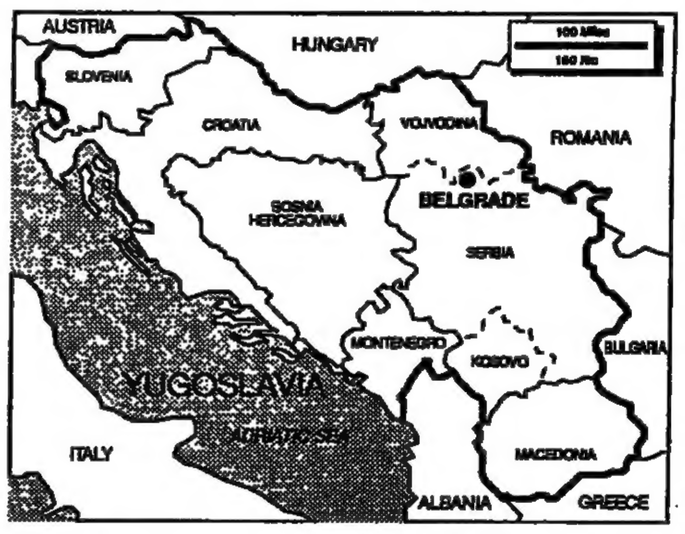
For years, his small trading office in Milan has been buying baskets from Yugoslavia.

They were hand-made by men and women working in the small but successful cottage industry in Croatia, but his trading contacts were based in Belgrade, the federal capital, and capital of Serbia, the largest of the republics.

Whenever he wanted to place an order, he would ring up the foreign trade organisation in Belgrade. It would then telex the order up to Croatia. That is, until last month.

"My agents in Serbia are no longer sending the telexes through. My old contacts in Serbia say communication has broken down between the two republics. It's not that the telephones do no work. It's because people are not talking to each other. What can I do?"

The breakdown in communication is one of the results of the terrible ethnic tensions and hatred which over the past year have risen to the surface from Croatia in the west to Serbia in the east, from Vojvodina in the north to Macedonia in the south.



The ethnic tensions have been exploited in the six republics by nationalists who have used the process of democratisation to oust communists and exploit the memory of the country's tragic past in order to gain popular support. It is now spilling over into everyday life.

Take one of the floors of an apartment block in Sarajevo, the capital of Bosnia-Hercegovina where the First World War broke out.

For years, five families – two Croat, two Moslem and one Serb – used to meet almost every day and chat over coffee. Now they barely say hello to each other. Trust and conviviality have given way to nationalism and suspicion.

This suspicion is fuelled by fear of violence, which is now almost a daily feature of Yugoslav life.

Between 7pm and 7am, trains no longer run between Zagreb, the capital of Croatia, and Split, the beautiful Croatian resort on the Dalmatian coast. Croats say Serbs in the past few weeks have placed mines on the tracks. Serbs say the democratically-elected Croat leadership under President Franjo Tudjman wants to turn Croatia into an ethnically-homogenous republic, relegating the Serb minority to second-class citizens.

Whatever the truth in these allegations, Yugoslav radio and television stations are doing little to dilute ethnic animosities, let alone explain on what basis the future of Yugoslavia's political system should be organised.

There is no federal television station which could provide the minimum of impartiality. Instead, each republic has its own radio and television; its own news and broadcasts. Local suspicions are deepened by the day.

That is why Mr Ante Markovic, the Prime Minister, is desperate to set up a federal television station. But time is against him. Since Wednesday, the federal assembly has squabbled over the agenda to discuss a new political structure. As they argue, the young Canadian businessman prepares to pull out of Yugoslavia.

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Hungary puts all state industry up for sale

By Nicholas Denton in Budapest

THE Hungarian government said yesterday it was open to offers for all the enterprises it owns from today.

The State Property Agency (SPA), the body overseeing privatisation, released a simple guide to investors on how to buy a state company in as little as 100 days. Registering an interest with the SPA will be enough to trigger an auction.

The initiative reflects a government policy to pass the bulk of state assets to the private sector within five years.

The agency promises to respond within 30 days of an approach with an outline of the amount of outside or foreign ownership it is prepared to allow, together with other conditions. Then the investor has 30 to 90 days to make a final bid.

During this period the target company must order an audit and transform itself into a joint-stock company, and the SPA will search for other bidders. A reluctant management will not be as great an obstruction as in the past – the state says it will take direct control over devolved state companies if managers are hostile to privatisation.

The final stage, the evaluation of bids, should take less than three weeks. Even if there are no competing offers, the original offer can be accepted if the audit valuation is in line with the one bid.

In theory, the whole process, from initiation to completion, could take as little as three months. But the method is untested and the sale of Hungary's industrial giants is bound to be complicated. Western-style controlled privatisation would be insufficient for the government's ambitious aims.

"We haven't got examples so we have to try a lot of things," said Mr Karoly Szabo, deputy director of the SPA. The new technique complements Hungary's "active" privatisation, when the authorities take the initiative, and "spontaneous" privatisation, when the company managers do.

Officials hope that 6-8 per cent of state equity each year can be privatised actively, 5 per cent through spontaneous privatisation, and another 5 per cent by the new Hungarian-style corporate raids.

The government is believed to have decided last week on a general acceleration of privatisation as the only way to inject vitality into an economy which faces a 4 per cent decline in GDP next year. Fears that state property would be sold on the cheap had held the government back from mass asset sales. Now that cost appears to have been accepted.

The government's stance has cleared the way for two new active privatisation programmes before the end of the year. The second privatisation programme, which will involve state holding companies, is scheduled for launch on December 14. The SPA will prepare a parallel special privatisation programme, targeting one profitable sector of the economy.

Interest from merchant banks and consultants in Hungary's first active privatisation programme, launched a month ago, has been intense. Mr Szabo estimated that there were an average of 10 bids to advise for each of the 20 companies slated for sale in the first wave.

A constitutional court decision which effectively closes the door on the restoration of property to expropriated owners removes an important source of uncertainty. Investors had feared that title to property would not be secure.

Offer for Skoda, Page 26

Apartheid language evokes ties that divide

De Klerk's visit to The Hague highlights controversial links, writes **Ronald van de Krol**

THE word *apartheid* is laden with special emotion in the Netherlands, a country with a reputation for being South Africa's fiercest critic in Europe. It comes straight from the Dutch and means "separateness".

The fact that it is also universally used to describe South Africa's system of racial segregation is abhorrent to most Dutchmen, reminding them of the complicated historical, linguistic and religious ties that both bind and divide the two countries.

These ties will be highlighted on Tuesday next week when Mr F.W. de Klerk, the President of South Africa, makes a 48-hour state visit to The Hague. It will be the first time a South African Government leader has been invited to the Netherlands in more than 40 years. Until now, the Dutch Government has pointedly said that Mr de Klerk was not yet welcome in the Netherlands, despite his visits in recent months to Washington and several European capitals.

Mr de Klerk's presence in the Netherlands is a diplomatic triumph for Pretoria and a direct reward for his efforts to foster political dialogue with black South Africans. But the controversial visit will be far from easy for him, as criticism of his country is traditionally vocal in the Netherlands.

The visit is not expected to change the Dutch Government's stance on economic sanctions. At most, it may pave the way for a hesitant resumption of cultural contacts in the future.

"The fact that the visit is taking place at all is reward enough," according to Mr Ruud Bosgraaf of the Southern African Committee, an anti-apartheid group. Anti-apartheid campaigners argue that the invitation to Mr de Klerk was premature and that The Hague should have waited for further progress in South Africa.

The Dutch Government is no more stringent in its sanctions policy than any of its European Community partners, preferring to build consensus rather than go it alone. But among the population at large, opposition to apartheid is strong and widespread.

Undoubtedly the biggest factor setting the Netherlands apart from other European countries is the violence and property damage that have accompanied the Dutch anti-apartheid campaign. These hard-hitting tactics – which include arson attacks, bomb threats and other actions aimed at Dutch companies that do business in South Africa – are the work of small, secretive groups of extremists, not of the three mainstream anti-apartheid organisations, but they create a charged atmosphere for the Dutch debate on how to end apartheid.

The portrait of Jan van Riebeck, who led the first settlement to the Cape in 1652, appears on South African bank notes

In 1987, for example, SHV Holdings became the first company in the world to disinvest from South Africa because of violence against it. The company, which owned five Makro wholesale stores as well as a coal trading operation in South Africa, sold its interests after three of its Dutch Makro stores were razed and a fourth seriously damaged in a series of arson attacks, prompting insurance companies to drop their fire insurance coverage.

However, it is Shell, the Anglo-Dutch oil company, that has borne the brunt of the radical anti-apartheid campaign. The group's Dutch petrol stations are a frequent target for activists of the Revolutionary Anti-Racist Action, who have repeatedly set fires, vandalised buildings and slashed pump hoses in attacks around the country.

The often tense relations between the Netherlands and South Africa are a result of interwoven histories, languages and religions. Today's Afrikaners, who dominate South African political life, are descendants of Dutch farmers or "boeren" who emigrated to southern Africa in the 17th century, bringing the Dutch language and Calvinist religion with them.

Contemporary Afrikaans is rooted in Dutch, and a Dutch speaker can usually follow written Afrikaans without much difficulty.

Family ties, while not extensive, still exist, though they are generally the result of emigration to South Africa in the 1950s.

Of all the links between the two countries, religion best illustrates the evolution of bilateral relations over the past few decades and the Netherlands' gradual disenchantment with the descendants of South Africa's Dutch settlers.

The two largest Dutch Protestant churches, the Dutch Reformed Church and the Reformed Church of the Netherlands, long maintained close ties with South Africa's Dutch Reform Churches, but until the 1960s and 1970s these links were primarily with the "white" branches. From the 1970s, however, the focus switched to the reform churches for black and coloured (mixed-race) South Africans. Dutch-based churches are now active in the Netherlands' anti-apartheid movement, and many have decided to boycott companies that invest in South Africa.

The Netherlands continues to draw theology students from South Africa to seminaries in Amsterdam and Kampen but, again, the students today are almost exclusively black or mixed-race, a complete reversal of the situation only 30 years ago, when the country was a training ground for white South African theologians.

Clash over Europe threatens to sink Norway's coalition

By Robert Taylor in Oslo

NORWAY'S minority coalition government is in danger of collapsing over bitter internal divisions about the country's future relations with the European Community.

The small anti-EC Centre party, one of the three coalition partners, is insisting that the prime minister, Mr Jan P Syse, must not compromise Norway's bargaining position in negotiations between the EC and the European Free Trade Association (Efta) on the creation of an 18-nation European Economic Area.

The party is demanding that Norway refuse to abandon its so-called concessionary laws which impede foreign ownership of property and of financial and industrial enterprises in Norway. The EC negotiators in Brussels have made it clear to Efta that Norway cannot be treated as a special case with the right to obstruct creation of a free internal market in western Europe.

Talks in Brussels this week made little progress. Norway is not the only problem in the complex and difficult negotiations but it is the most serious. Unless Mr Syse's government shows a willingness to move from its inflexible position on the concession laws observers believe it will be difficult to reach agreement on the creation of the EEA, which is supposed to begin on January 1 1993.

Ironically, Mr Syse and his Conservative party believe Norway should seek EC membership but they have agreed in the interests of coalition unity not to press the issue and to concentrate on the creation of the EEA as an immediate objective.

However, the Centre party's determination to stand firm against dilution of the concessionary laws is bringing tensions inside the government to breaking point.

On Wednesday the Conservative deputy leader, Mrs Astrid Heiberg, said the government could not let the Centre party "dictate" its policy and added that the Centre should leave the government if it could not display more flexibility.

For their part Centre party leaders insist that what they regard as the defence of Norway's national interest is more important than the party's membership of the government.

The political crisis in Norway is being made more difficult to resolve by the fact that under the constitution a Norwegian government cannot dissolve parliament between general elections and the next one is not due until September 1993. The coalition can only count on 96 votes in the 165-strong Parliament. Its support is made up of 37 Conservatives, 14 from the Christian People's party and 11 from the Centre party, while it can normally rely on backing from the 22 members of the radical right pro-EC Progress party which remains outside the government, on most issues.

Mr Syse has always looked vulnerable on Europe because of the deep hostility of the Centre party to the EC. But no political alternative looks credible as the main opposition Labour party under Mrs Gro Harlem Brundtland has been reluctant, because of its own internal differences over the EC, to exploit the issue of Europe.

Aid pay-off for German industry

By David Goodhart in Bonn

NEARLY 90 per cent of German aid to the developing world flows back to German industry, according to an analysis in the latest monthly report of the Bundesbank.

The Bundesbank says that since the early 1980s only a small part of German aid has been explicitly tied to orders from German industry but German companies have still managed to exclude almost all competitors. The figure will provide useful ammunition for those fighting to hold up the level of development aid in the face of the growing demands on public expenditure from German unification. Last year Germany's development aid rose 11 per cent to DM9.3bn (£3.1bn). That is about 0.39 per cent of GNP, which puts Germany in the middle of the aid league table of industrial countries.

Total aid to the developing world since 1950 is DM333bn of which DM163bn has come from the government. Asia has received the largest part, 37.4 per cent, with Africa second, 33.4 per cent, although Africa is now the largest recipient.

The Bundesbank was highly critical of Germany's development aid policy, which it described as far too tolerant of economically useless prestige projects.

Turkish defence minister resigns

TURKEY'S defence minister, Mr Sefa Giray, offered his resignation yesterday amid growing speculation of a rift in the ruling Motherland party, ANAP, writes John Murray Brown in Ankara.

Mr Giray made no comment. But one ANAP delegate said Mr Giray was unhappy with the government's handling of delegate elections for the party convention in January, although this was denied by a party spokesman.

He is the third senior minister to resign this year.

Havel promotes Czech dissident

PRESIDENT Vaclav Havel yesterday appointed former dissident Lubos Dobrovsky as Czechoslovakia's first civilian defence minister in more than 40 years.

Mr Dobrovsky, 58, – like Mr Havel a founder member of the Charter 77 human rights movement – replaces General Miroslav Vacek, who was sacked on Wednesday.

Mr Dobrovsky was thrown out of a military school for political reasons in 1949 and later became state radio's correspondent in Moscow. He was expelled from the Communist party after the invasion of Czechoslovakia in 1968 and worked as a stoker and window cleaner for the next 17 years.

Earlier this year he was vocal in demanding withdrawal of Soviet troops from Czechoslovakia.

US blocks Gatt telecoms deal at last minute

By William Dullforce in Geneva

THE US has unexpectedly blocked a trade-liberalising agreement on telecommunications in the Uruguay Round talks just as negotiators had almost reached full agreement on how this sector should be organised.

The disagreement concerns the draft text of an annexe on telecommunications to be added to a General Agreement on Services (Gats).

At the last moment, and to the fury of other delegations, the US announced that it wanted a derogation – the right to exemption – for its telecommunications from the most-favoured-nation (MFN) principle embodied in the Gats framework agreement.

Under MFN, a country is bound to grant any trade advantages bestowed on one country to all other countries that have signed the general agreement.

The US is understood to have acted under pressure from American Telephone & Telegraph, its biggest telecommunication company.

AT&T wants the US to retain the right to negotiate bilaterally access to other countries' markets.

The company argues that the US cannot provide unrestricted entry to its open market for foreign telecommunication companies, which may be public monopolies, without keeping a lever to open the domestic markets of those companies to US enterprises.

However, such a concession on MFN could undermine the entire Gats, which is supposed to establish the basic principles of trade in all services.

The draft annexe on telecommunications, provisionally agreed, stipulates that a country must provide access to its public networks to service providers in other countries on reasonable and non-discriminating terms.

If Washington maintains its demand for an MFN derogation, when the annexes to be included in the Gats are examined by a special working group next week, hopes of overcoming the difficulties in which the services talks are stuck would be diminished.

Food groups warn loss of EC rebates will hit jobs

By Peter Montagnon, World Trade Editor

ABOUT 30,000 jobs would be lost in the British food processing industry if it were denied access to European Community export rebates on raw material inputs, the Food & Drink Federation warned yesterday.

The federation said the export refunds compensate its members for the higher prices they are forced to pay for their agricultural raw materials as a result of the Common Agricultural Policy.

The industry could not compete internationally if export rebates were cut more sharply than domestic subsidies, as the US has been asking.

According to Mr Paul Williamson, a senior executive of the Cadbury confectionery concern, food processors fear their export rebates may be the subject of special cuts in any face-saving Uruguay Round agreement between the US and EC on farm reform.

Yet the food industry's purchases of farm products helped absorb European surpluses. Dumping of these surpluses on world markets caused prices to drop, but exports of manufactured products like bars of chocolate had no impact on world commodity markets, he said.

Food processors would have to shift production away from the Community to places where raw materials prices were lower if they were forced to shoulder an excessive share of the burden of farm support cuts, he added.

Why S Korea's country boy went to town

Trade reform talks are threatening highly-protected farmers, writes John Ridding

FOR a man who describes himself as an ordinary country boy, Mr Han Ho Sun, president of South Korea's largest farmers' association, is spending a lot of time in the world's big cities.

At the beginning of the month he was in Geneva for talks with Mr Aart de Zeeuw, the chairman of the agricultural negotiating group in the General Agreement on Tariffs and Trade (Gatt). Last week he travelled to Washington to meet Mrs Carla Hills, the US trade representative, and a handful of congressmen in Washington.

On the way home, he is stopping off in Tokyo to seek co-operation from Japan in the Uruguay Round talks on farm trade reform.

Mr Han's labours reflect the growing concern in South Korea about the prospects for the country's agricultural sector and, in particular, the implications of the Gatt negotiations in Geneva.

There have been demonstrations and protests against the liberalisation of Korea's agricultural markets around the country since the middle of the year. Last month, the agriculture minister was replaced, partly in an attempt to appease angry farmers.

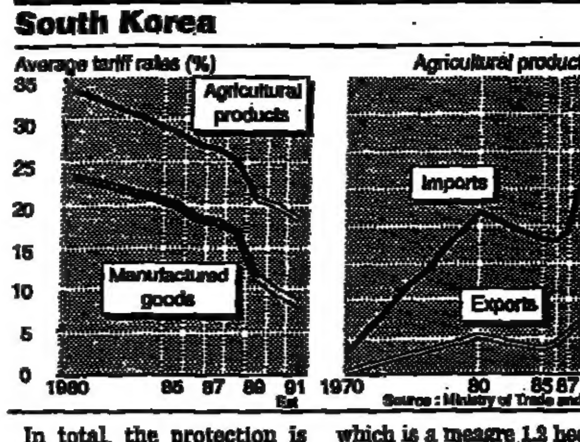
"It is a big problem for us," says an official at the Economic Planning Board. "Korea needs an open international trading system and has to make progress in Gatt. But our agricultural sector is weak while the farmers are becoming an ever-more powerful lobby."

Government attempts to persuade farmers that market liberalisation can be pursued gradually and the impact offset by reforms in the agricultural sector have met with little success. Farmers believe instead that the reduction of support mechanisms, tariffs and other trade barriers sought by the US and other developed countries in the Uruguay Round negotiations will deal a body blow to the already weak sector.

"If the markets are fully opened then all Korean agriculture will completely collapse," says Mr Lee Jae Ok, an economist at the Korea Rural Economics Institute. Mr Lee bases his gloomy prediction on the high level of agricultural protection in Korea and the resulting large price differential between Korean and international agricultural products.

In 1989, for example, the average domestic wholesale price for a kilogram of rice in Korea was $1.60, compared with an average international import price (CIF) of 37 cents. A kilogram of Korean beef cost $9.17, compared with $2.85 on the international market, while the domestic price for soyabeans was $1.49 a kg compared with an international average of 32 cents.

South Korea



In total, the protection is provided in a number of ways. The price farmers receive for their rice, for example, is inflated by a price support system. Last year, the government paid farmers Won96,000 (£68) per 80 kg, and then sold the rice on to consumers at Won55,000. Quotas are also used to keep the price of products such as beef above that in the international market.

The need for such support reflects the inefficiency of much of Korea's agricultural sector. Whereas the country's industrial base has developed at a breathtaking pace over the last two decades, the agricultural sector has lagged ever further behind.

Economies of scale are precluded by the small scale of farms, the average size of which is a meagre 1.2 hectares, compared with 195 hectares in the US and 381 hectares in Australia. This is made worse by a weak agricultural infrastructure. Almost 30 per cent of paddy fields are still rain fed, and rural roads are often poor.

Distribution, processing and marketing systems are also underdeveloped, while the size and quality of the workforce has declined as a result of migration to the cities. According to the National Agricultural Co-operative Federation, the farm population has fallen from 49.5 per cent of total employment in 1970 to 18.7 per cent last year.

The relative weakness of the agricultural sector is prompting Korean officials to call for a grace period before liberalisation during which time the efficiency of farms could be improved. Mr Han believes such a period would need to be at least 10 years.

Like Japan, Korea is basing much of its argument for the protection of agricultural products on the concept of food security. According to the National Association of Farmers Co-operatives, Korea's food self-sufficiency rate has dropped from 80 per cent in the 1960s to below 40 per cent today.

As a result, the Korean Government is planning to exclude sensitive products, such as rice and soyabeans, from its list of goods to be liberalised under the Gatt agricultural negotiations.

The argument of food security meets with a cool response from Korea's trading partners. "We will discuss this in negotiations", says Mr Warren Lavorel, the US co-ordinator for the Uruguay Round of negotiations. "But I don't think we can agree to blanket exceptions on this basis."

There is more sympathy from the non-farming Korean population. The rapid pace of rural migration means that many urban dwellers still have relatives in the countryside. "Korean consumers still think that the products are cheap when they take into account the sweat and labour of their parents and relatives", says Mr Han.

Warsaw's links with Moscow full of uncertainty

By Christopher Bobinski in Warsaw

GREAT uncertainty hangs over prospects for Poland's trade with the Soviet Union, the country's largest trading partner, which has in the past accounted for the lion's share of Poland's energy needs.

The doubts persist in spite of a recent visit by Mr Krzysztof Skubiszewski, Poland's foreign minister, to the Soviet Union. The visit included economic talks with the Russian, Ukrainian and Belorussian authorities – a clear sign the Poles are more than ready to trade with the country's constituent republics.

However, the Soviet authorities have yet to decide the extent to which trading decisions will be decentralised from the Kremlin to the republics and individual enterprises.

Thus as the new year approaches, Polish companies which have grown used to long-term agreements have yet to sign a single trade contract.

The future of Poland's Rbs4.5bn (£4.5bn) debt to the Soviet Union is another vexed issue. Poles are saying it should be reduced to compensate for overcharging by Moscow on past energy contracts.

Meanwhile, by the end of September, Poland had already run up a Rbs2bn surplus in mutual trade, with exports 10.7 per cent down on the same period last year at Rbs4.4bn and imports down sharply by 41.6 per cent.

Polish authorities say this surplus should be used to cushion the results of the switch to hard currency pricing for mutual trade, which will take effect from January 1 at the Soviet Union's behest. But some are arguing for immediate repayment, thus avoiding a possibly unfavourable conversion rate of the rouble debt into hard currency next year.

At the same time the change over to hard currency accounting and world prices means that trade levels will drop, threatening major redundancies, but to what extent nobody knows.

Also Moscow shows little sign of wanting to agree to a clearing arrangement suggested by the Poles. This is largely because the Poles are offering low quality machinery and equipment and purchasing suddenly expensive oil and gas, thus risking an immediate major deficit in mutual trade.

Poland's Industry Ministry has a list of some 150 major plants, each employing several thousand or more, which are dependent on sales to the Soviet Union for their existence.

Government officials say 60 plants, like a rail rolling stock producer in Swidnica, have prospects of switching to other markets but another 80 enterprises seem likely to go to the wall. The World Bank has promised advice and some financing to speed restructuring, however.

On energy supplies the Soviet leadership has promised to fulfil long-term contracts and deliver 5.2bn cu m of natural gas while another 1.4bn cu m has been secured in return for food. This leaves a 1.7bn cu m shortfall.

There is still a question mark over oil deliveries which have traditionally reached some 12m tonnes a year, with the Poles now hoping to be able to buy between 5m and 8m tonnes next year. The shortfall should be made up with supplies from elsewhere, which will require some extension of transhipment facilities at the Gdansk oil terminal.

Italian credits to boost Soviet trade

By John Wyles in Rome

THE Soviet Foreign Minister, Mr Eduard Shevardnadze, yesterday telephoned President Mikhail Gorbachev's grateful thanks to the Italian government for a decision to make available to Moscow L7,200bn (£3.24bn) in various credits by 1994.

The credits comprise a government-guaranteed loan of L2,200bn which carries a 90 per cent government guarantee on capital and interest, and the commitment of a further L5,000bn in export credits between now and 1994. They represent one of the largest votes of confidence in the Soviet president to be expressed by any Western government.

The Italian move is based on the conviction that such western aid is vital for shoring up the Soviet government's shaky authority over its rebellious regions.

Up to L1,000bn of the government-to-government credits is to be dedicated to paying off debts which Moscow has accumulated in the last 12 months to Italian companies which were not covered by export guarantees. The balancing L1,200bn are general purpose credits for purchasing Italian products.

For this reason the Italian draft law, which has to be passed by the parliament before the finance can be released, speaks of "a contribution towards improving the Soviet balance of payments and for stabilising the Italian economy."

The export credits to be guaranteed by SACE, Italy's export credits guarantee agency, will be subject to an annual L1,000bn ceiling until 1994.

The basis for the Italian package was laid during a visit to Moscow in July by Mr Gianni De Michelis, the Italian foreign minister. An Italian Foreign Ministry statement said yesterday that the aim was to provide short-term help during a "delicate" transition phase for the Soviet economy. The credits were in line with a European Community heads of government decision in Dublin earlier this year.

Senate leaders clear budget hurdles

By Peter Riddell, US Editor, in Washington

THE US Senate leadership yesterday successfully defeated a series of proposed amendments to the bipartisan budget plan which President George Bush supports as the basis for an eventual agreement.

Once the Senate has completed its debates the key decisions will be taken in a joint conference with members of the House of Representatives. While it is highly unlikely these issues can be resolved by the deadline of midnight tonight, when the US government runs out of money, a package should emerge over the weekend.

The main differences between the Senate plan and the version approved late on Tuesday by the House concern the extent of increases in income tax.

The Senate has proposed a back-door rise by limiting tax deductions for the better-off, while the House has approved a more direct increase in rates.

Congressman Leon Panetta, Democrat chairman of the House budget committee, said yesterday the big question for the conference "is going to be whether or not the wealthy share in the deficit reduction package.

"Whether that depends solely on increases in marginal rates, or whether there are other ways to get at the wealthy is something the conference is going to have to confront. But clearly the House is not going to accept something where the main burden falls on middle income groups."

The budget meandered its way through the gentlemanly procedures of the Senate with lengthy speeches.

The key vote came early yesterday morning when Senate leaders of both parties mustered enough support to set aside, and in effect defeat, an amendment by Republican senator Steve Symms that would have eliminated the politically unpopular increase in petrol taxes.

Mr Richard Darman, budget director, had warned that defeat on this issue would have reopened the whole budget issue and forced a return to the start.

Senator George Mitchell, Democrat majority leader, said: "You can't pick this apart one item at a time. Do we want to be responsible for destroying the first significant deficit reduction effort in 10 years?"

Links with failed S&L undermine top senator

By Lionel Barber in Washington

THE POLITICAL future of Senator Don Riegle, chairman of the Senate banking committee, is in doubt following allegations about his dealings with Mr Charles Keating, the savings and loan financier detained on fraud charges.

A Senate ethics investigation has been told that Mr Riegle, with fellow Democrat senators Alan Cranston and Dennis DeConcini, went to extraordinary lengths to help Mr Keating protect his failed Lincoln S&L in California between 1987 and 1989.

Contacts between the three Democrats and Mr Keating were deeper and more frequent than previously acknowledged, and continued after Lincoln was the subject of a federal regulatory investigation, according to ethics committee documents leaked to the press.

The committee is now trying to establish whether there was a connection between this lobbying effort and Mr Keating's services as a fund-raiser and contributor to the senators' election campaigns and political causes. Two other senators under investigation – Mr John McCain, a Republican, and Mr John Glenn, a Democrat – are expected to escape further scrutiny.

The investigation of the "Keating Five" has become a *cause célèbre* this year as outrage over the cost of the S&L industry rescue has grown.

Mr Keating, who has pleaded not guilty to criminal fraud charges, is in jail having failed to raise a $5m bail bond.

The committee heard allegations that Mr Cranston telephoned a top federal bank regulator at his unlisted Virginia home number at 10pm to urge the sale of Lincoln, rather than a federal takeover; Mr DeConcini called the next morning at 5.30.

Mr Roger Martin, a member of the federal home loan bank board, said he had never before received a call at home from a member of Congress regarding a board matter. "It sounded to me as if they were reading from the same script."

It was known that Mr Keating had contributed $1.3m to the campaigns of the five US senators. But Mr Keating's fund-raising for Mr Riegle was more extensive than previously known and occurred immediately before the five senators – in a highly unusual move – all met banking regulators on Lincoln's behalf in April 1987.

The committee must now decide whether to intensify its investigation of the three senators, all of whom have denied wrongdoing. Aides to the senators said yesterday that the ethics committee documents had been unfairly leaked to the press to discredit their reputations.

No ripping sound as the dollar continues its slide

Peter Riddell on a relaxed US view of a 15% fall

THE US dollar has fallen by an average of 15 per cent against other currencies since the start of the Gulf crisis, yet you would hardly notice it from most discussion in the US on economic policy. It has been scarcely mentioned in the many days of congressional debate on the budget.

That clearly suits the administration. There is little that officials can say that would help matters.

The few public comments by the US Treasury have appeared relaxed. Conditions have been described as "orderly". Earlier this week Mr Nicholas Brady, the Treasury Secretary, stirred interest by saying that in a period "when the world has a lot on its plate in the Middle East and when we have not been able to come to a satisfactory conclusion on the budget talks, we think that currency markets are reasonably stable. They haven't been plunging; they've been edging down, but so far it's not something that we're overly concerned about."

He said that while the dollar had fallen against the yen and the D-Mark, "there's been nothing precipitous about it; and that's a change from the way that markets have acted in the past".

Mr Brady was careful to stress that he was not predicting a further decline in the dollar, but the impression has gained ground that the Treasury does not mind, even acquiesces in, the decline since it will improve US competitiveness and exports.

However, administration officials are adamant that they are not pursuing a policy of benign neglect. The US authorities do not favour a particular level for the dollar.

The official US view is that the fall is a response both to some changes earlier in the year, such as the drop in inflows from Japan and Europe, and a decline in international confidence caused by the problems of the savings and loans industry, worries over the health of the banking system and the budget crisis. They point, however, to the fact that yields on long-term government bonds are slightly off their summer highs.

Brady: 'So far it is not something to be overly concerned about'

Administration officials do not think they could do much now, even if they wanted to, until the budget crisis is resolved. Comparisons are drawn between the period three years ago when it took from the stock market crash in mid-October until the end of the year for a budget package to be sorted out and foreign exchange and financial markets remained weak.

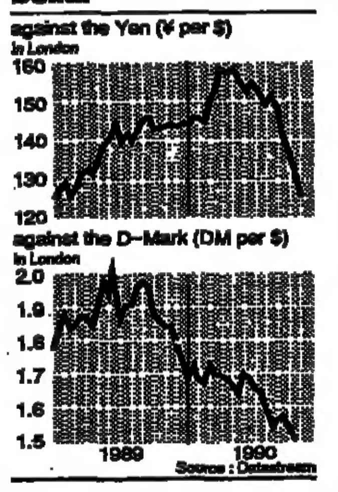
When a budget deal is signed, the White House will no doubt press for rapid, and substantial, action by the Federal Reserve to ease monetary policy. Mr Alan Greenspan, the Fed chairman, has described the original $500bn five-year package as credible and said the central bank would respond favourably to its enactment.

But the Fed's freedom of manoeuvre is restricted. On the one side, there are increasing worries about the economic downturn in some regions and about the health of the financial system. But, on the other side, many Fed policy makers, especially regional bank presidents, are concerned about the dangers of rising inflation. These concerns are reinforced by the fall in the dollar.

Excessive easing in short-term rates could be counter-balanced by a rise in long-bond yields. The Fed may be reluctant to see too steep a yield curve.

The administration hopes that the eventual budget package will be seen as indicating a declining trend in the federal deficit and will be followed by a drop in long-bond yields. This might give the Fed more scope at the short end, in time going beyond the quarter, or perhaps, half a point reduction in the Fed funds rate now being assumed.

The hopes of congressional leaders and Mr Bush's advisers for a large initial cut look like being disappointed, not least because of the fall in the dollar, to which they have paid so little public attention.



Confidence boosted, Page 7

Oil costs widen US trade gap

THE US trade deficit climbed in August to $9.34bn (£4.7bn) as the impact of sharply higher oil prices began to be felt on the economy, Reuter reports from Washington.

The trade gap increased by 2.4 per cent from July's revised deficit of $9.12bn, previously reported as $9.33bn.

Total US exports rose 1.6 per cent to $32.63bn from $32.13bn a month earlier, but the import bill increased even faster – by 1.8 per cent – to a record $41.97bn in August, the Commerce Department said.

Meanwhile, soaring energy prices pushed prices at the retail level up 0.8 per cent in September, the same gain as in August, the Labour Department said.

But excluding the volatile food and energy figures, the consumer price index moderated its recent pace, climbing by 0.3 per cent compared with a 0.5 per cent advance in August.

Consumer prices in the first nine months of this year have accelerated at an uncomfortable 6.6 per cent annual rate, against the 4.6 per cent rate for the same period a year ago.

The Commerce Department said that despite the wider August trade gap, the deficit through the first eight months of this year was running at a seasonally adjusted annual rate of $96.8bn, significantly below the $110.7bn shortfall of 1989.

The trade gap has been narrowing since 1987, when it hit a record $152bn.

Correction

Petrobras

AN ARTICLE in Wednesday's edition of the Financial Times referred to a federal investigation of the purchase and re-sale of state debt by Petrobras, Brazil's government-controlled oil concern.

It has been drawn to our attention that although such a purchase and re-sale is being considered, the proposed transaction complies fully with all relevant laws and there is no federal investigation of it. We apologise for any embarrassment that may have been caused as a result of our erroneous information.

ABC Television to cut bureaux

ABC TELEVISION, one of three leading US networks, said yesterday it planned to shut its news bureaux in Boston, Chicago and Dallas as part of a cost-cutting exercise, writes Alan Friedman in New York.

The closures are part of the network's belt-tightening in the light of declining advertising revenues and costs associated with the coverage of the Gulf crisis. Neither CBS nor NBC, the other big networks, plan similar cuts.

ABC will continue to maintain a reporter in each of the cities as well as nine other domestic US offices. However, the cuts underscore the difficult operating environment for both print and electronic media in the US.

Menem curbs right to strike in vital services

By John Barham in Buenos Aires

ARGENTINA'S President Carlos Menem, whose Peronist party has its main power base in the country's labour movement, has introduced strict limits on the right to strike by workers in essential services.

The law, introduced by decree after a government-sponsored bill met extensive parliamentary opposition, lays down strict procedures before workers can withdraw their labour and obliges them to guarantee a minimum level of essential services during a dispute.

Mr Menem demonstrated the strength of his grip over Argentina's politics by announcing the curbs on Wednesday, Loyalty Day, the most important event in the Peronist calendar.

Opinion polls show the president's popularity is declining as his privatisation programme faces difficulties and Argentina's chronic recession deepens. However, his enemies failed to mobilise more than 20,000 people at a rally in front of the Casa Rosada, the presidential palace, to commemorate Juan Domingo Peron's release from prison in 1945.

Loyalty Day began with explosions at a Citibank branch, the offices of the Pérez Companc industrial conglomerate, and at the headquarters of the UCD conservative party and a pro-government political group. A previously unknown group, the Eva Peron Commando, claimed responsibility.

In a speech, Mr Saúl Ubaldini, head of an anti-government trade union confederation, likened Mr Menem to the right-wing generals that ousted the previous Peronist government in 1976. He called for a day of strikes and protests on November 15.

But Mr Ubaldini is backed by only one of Argentina's big trade unions. The rest support the government.

None the less, anti-Menem Peronists could take some comfort from equally disappointing turnouts at pro-Menem rallies in other parts of Buenos Aires.

However, unrest continues to simmer in the provinces and the armed forces. A wave of strikes and protest marches in three provinces are entering a second week, as public sector workers demand an end to austerity policies. Low pay and diminishing budgets are straining discipline in Argentina's notoriously volatile armed forces.

El Salvador rebels hit army's main airbase

By Tim Coone

LEFT-WING guerrillas in El Salvador launched a surprise attack on the army's main airbase at Ilopango, on the eastern outskirts of the capital, late on Wednesday night.

The army said fighting around the airbase continued for two and a half hours and spread to the nearby residential neighbourhood of Soyopango in San Salvador, which was the scene of heavy fighting during last November's guerrilla offensive.

City residents said shooting and explosions could be heard across the capital, raising speculation that a new offensive by the Faribundo Marti Liberation Front (FMLN) guerrillas had finally begun.

However, only one army helicopter was reported destroyed in the attack by guerrilla mortar fire and casualties were few. The guerrillas did not attempt to overrun the base.

The air force has several dozen counter-insurgency aircraft and helicopters based at Ilopango. They played a key role in repulsing the FMLN's November offensive.

Military experts believe FMLN strategists will not attempt another big attack unless they can first destroy a significant part of the country's air force on the ground, or until they have sufficient anti-aircraft weapons and missiles to protect their troops.

Doubts within the FMLN leadership are evident from the delay in launching a new offensive.

They are thought to be divided over whether to continue with the stagnated peace negotiations with the government or intensify military pressure on President Alfredo Cristiani's administration. The next round of bilateral talks are scheduled to take place in Mexico, no later than November 4.

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Tokyo plans 6% rise in carbon dioxide emissions

By Robert Thomson in Tokyo

JAPAN is planning for a 6 per cent increase in carbon dioxide emissions over the next 10 years under a government proposal that could be embarrassing at an international conference on the environment due soon. The carbon dioxide policy, approved yesterday by the ruling Liberal Democratic Party, is the result of compromise between the Ministry of International Trade and Industry (Miti), which wanted a 9 per cent increase, and the Environment Agency, which hoped to stabilise emissions at the present level by 2000.

Tokyo emphasises stabilisation of per capita emissions rather than the national emissions level. Natural population increase is likely to produce a 6 percent rise in carbon dioxide output by 2000. Miti argues that because of efficient energy use Japan's per capita emissions level, around 2 tonnes a year, is less than half that of the US and significantly lower than many developed countries, and so provides less margin for further reductions.

The Environment Agency hopes that a second tier of the proposal will eventually become the target - this calls for a stabilisation of national emissions following the freezing of per capita levels and "if new technology can be introduced."

Tokyo would like to play a greater international role in environmental issues, but the ambiguity of the carbon dioxide proposal could draw criticism from other countries when it is presented to an international conference on climate later this month.

A senior Miti official said that government wanted to provide a sincere target rather than a goal that looked relatively impressive but would be unreachable in the longer-term.

"Even the target of a per capita stabilisation is very ambitious. This will mean that we have to build about 40 more nuclear power stations and improve our energy efficiency by another 36 per cent over the next two decades," he said.

Japan's carbon dioxide emissions, the world's fourth highest last year, have been debated for most of this year by Miti and the Environment Agency. They have been under pressure from Japanese politicians to produce a policy that will not compromise the country on the international stage.

An Environment Agency official hoped that other governments would appreciate the sincerity of the Japanese effort to control emissions and to introduce new technology that will make a contribution to international pollution control.

Japan's confidence boosted as the yen shows steady increase

Stefan Wagstyl reports on the reasons behind Tokyo's recovery

THE RISE of the yen to near-record levels against the US dollar is being met with relief in Tokyo's markets.

After nearly a year of unpleasant shocks at home and overseas, the yen's rise is sending a modest boost of confidence through the market.

Since briefly hitting a low of Y160 in April, the yen has advanced in three jumps, first to around Y150, then to around Y140, and finally to below Y124.50 in Tokyo yesterday. Since early September, the Japanese currency has appreciated around 14 per cent against the dollar and by about 7 per cent against the West German mark.

This surge has played a part in dragging equities back from the depths to which they had sunk in the wake of the Middle East crisis, bringing the Nikkei up from a low in late September of 20,983 to a close yesterday of 24,397 – a rise of 16 per cent. Bonds have climbed almost as fast, pushing down the yield on the benchmark government instrument from a peak of 8.7 per cent to 7.825 per cent at yesterday's close.

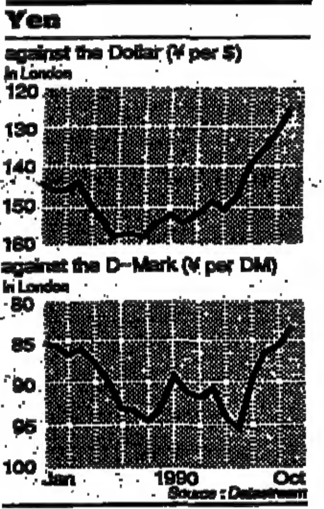
These moves reflect hopes that the Bank of Japan, which broke the back of the bull market by driving up interest rates to stamp out inflation, could relax slightly its grip on credit. Mr Yasushi Mieno, the governor, himself has said the impact on domestic wholesale prices of a $1 a barrel increase in oil prices is offset by a Y1 rise in the yen against the dollar. Wholesale prices in September rose by just 0.5 percentage points, precisely because currency appreciation reduced the impact of higher oil prices.

But a more important reason for the yen's strength is the weakness of the US economy, compounded by the US authorities' inability to do a deal on the federal budget. Japanese investors believe the US Treasury and the Federal Reserve are increasingly willing to let the dollar fall.

The Japanese authorities are doing little to prevent the US unit's plunge either, with a Ministry of Finance official saying yesterday that the yen's rise was "not so rapid".

Japanese capital is flowing back to Tokyo. Japanese were net sellers of US securities in the first half of 1989, the first sustained selling since 1982. Foreign investors too are investing in Japan, buying a record amount of bonds last month.

Yen



Many investors believe the yen will stay strong for as long as the spread between US and Japanese real interest rates remains so much in Japan's favour. With consumer inflation running at about 2.5 per cent in Japan, the real rate of return on government bonds is about 6 per cent. In the US, where consumer prices are rising at over 6 per cent, the real interest return is less than 3 per cent.

But there are a few flies in the ointment. One is the fear that war might break out in the Gulf, pushing oil prices above $50 or more, hitting confidence in Japan because of its reliance on imported oil. A second is that the damage caused by high interest rates has yet to become apparent.

So far, just one large public company, Itoman, a trading group turned property developer, has disclosed its difficulties. If more companies run into trouble, confidence in the yen markets, particularly stocks, could evaporate.

A third risk is that the central bank will take fright at the threat of bankruptcies, ease its grip on credit and drive down interest rates. Bank of Japan officials insist they will not do this, but some observers think they may already be doing so by supplying funds to the money markets.

But all these dangers existed before the yen rallied, and would still exist if it had not. At the very least, the currency's appreciation has given the Japanese authorities some room for manoeuvre just when they needed it most.

NEWS IN BRIEF

Court says Bhutto sacking was valid

Pakistan's interim government scored a legal victory yesterday when the Sind high court in Karachi ruled that President Ghulam Ishaq Khan's decision to dismiss the government of Ms Benazir Bhutto, the former prime minister, on August 6 was constitutionally valid, Farhan Bokhari writes from Islamabad.

Pakistan is to hold national elections next week. Federal and provincial assemblies were dissolved by President Ishaq Khan on the grounds that there was widespread corruption.

On Sunday, the Punjab high court also ruled the president's action was constitutionally valid, in response to five petitions challenging the presidential action.

Japanese islands dispute

The new foreign minister of the giant Russian Federation yesterday said a solution was possible to the issue of four Soviet-occupied islands which has bedevilled Soviet-Japanese relations for 45 years, Reuter reports from Moscow.

Mr Andrei Kozyrev, a career diplomat appointed to the Federation's radical government last week, told a news conference that the Russian parliament would have to be closely involved in any decision on the problem. He said he was seeking a special debate in the parliament "on getting rid of the totally removable barriers that stand in the way of wider political, economic and cultural cooperation between Russia and Japan."

The minister, whose government and parliament under president Boris Yeltsin are increasingly asserting their independence from the central Soviet authorities, gave no direct indication of what solution he envisaged.

Ivory Coast elections split

Ivory Coast's main opposition parties, accusing the government of wholesale fraud in the run-up to the country's first multi-party elections, remain split over whether to take part, Reuter reports from Abidjan.

All four left-wing parties say that President Felix Houphouet-Boigny's regime is cheating, singling out a decision to allow foreigners to vote in the October 28 polls. Mr Houphouet-Boigny, who celebrated his 85th birthday yesterday, is seeking a seventh five-year term.

For the first time since independence in 1960 he will be challenged at the ballot box, by history lecturer Laurent Gbagbo of the Ivorian Popular Front (FPI).

Norway protests to Kenya

Norway protested to Kenya on Thursday over the arrest in Nairobi of a leading Kenyan dissident who spent four years in exile in Norway, Reuter reports.

A foreign ministry spokesman said Norway also asked the UN Human Rights Centre in Geneva to investigate last week's arrest of Koigi wa Wamwere, a former member of the Kenyan parliament. Mr Wamwere, who had lived in Norway since 1986 when he was granted political asylum, was arrested in Nairobi and accused of preparing a campaign against the one-party government of Kenyan President Daniel arap Moi.

Filipinos asked to support cuts

By Greg Hutchinson in Manila

PHILIPPINE cabinet officials went on national television yesterday to muster support for controversial new taxes and spending cuts aimed at trimming the country's budget deficit, which they warned could soon spiral out of control.

"The budget deficit is moving in the direction of 5.4 per cent (of Gross Domestic Product) and if we do nothing now it will feed on itself and become 8 per cent by 1992 and that is very dangerous," Mr Jesus Estanislao, the finance secretary, said on The President's Hour, a weekly television programme.

Mr Jose Cuisia, central bank governor, and Mr Cayetano Paderanga, economic planning secretary, echoed Mr Estanislao's remarks, warning that the budget gap was apt to spin out of control if not tackled soon.

Facing a backlash from Congress, the public and even from some other cabinet members, Mr Estanislao was directed by President Corazon Aquino to explain the economy's problems and the measures needed to correct them.

The budget deficit is forecast to reach 60bn pesos ($2.44bn) by year-end. Mr Estanislao said even if Congress passed a new wealth and windfall profits tax and the government made deep cuts in government spending in coming weeks, only 10bn pesos at the outside could be shaved from the deficit.

The budget gap, like the balance of payments deficit, has widened swiftly following the crisis in the Gulf and the subsequent rise in oil prices.

Mr Estanislao estimated the cost this year to the economy of the higher world oil prices at $3.5bn.

Another cost – the destruction caused by the July 16 earthquake – was calculated at $500m.

Hong Kong given a morale boost

Li trial eases path for new chief prosecutor, writes John Elliott

ONE man's job at least has been made simpler by the conviction and jailing this week of Mr Ronald Li, the former chairman of Hong Kong's stock exchange. He is Mr John Wood, Hong Kong's new Director of Public Prosecutions, who arrived in the colony early last month fresh from successes as head of the UK's Serious Fraud Office in London's Guinness trial.

Mr Wood has been appointed to boost morale and bring some semblance of respectability and authority to the colony's Legal Department, which has been hit this year by a series of scandals and prosecutions involving senior staff. One senior prosecutor has been jailed for corruption, another sentenced for sex crimes, and others suspended.

The personal standing of Mr Jeremy Mathews, the attorney general, has also suffered because of a widely publicised affair with his former public relations assistant, his changes of tack on at least one important case, and his department's general problems.

All this has seriously knocked the legal department's credibility and its internal morale at a time when the colony is anxious to shake off its image as a cross-roads of international commerce and oriental ethics where corrupt businessmen and cowboy lawyers have thrived.

For too long, it is felt, Hong Kong has had a reputation as a place where known criminals are not convicted and where some government lawyers, hired from Australia and New Zealand, have enjoyed a riotous lifestyle.

That is not good for a territory whose economic future depends on it providing services – including a viable legal system – to support its role as an internationally important financial centre.

This is why Mr Li's fate is specially significant. It is a much needed boost to the morale of the legal department.

Mr Wood will bring skills which he honed during his supervision of London's not dissimilar Guinness trial to prepare the prosecution for the second Ronald Li trial in February when Mr Li appears in the High Court along with seven others, including his son Alfred. They face up to eight charges, five of which are similar to the preferential share allocation counts on which Mr Li has been found guilty.

Compared with many other Asian countries, Hong Kong is not riven with excessive corruption. British colonial rule has curbed both the sort of kick-backs often paid on major contracts to top government figures in south and south east Asia, and the general suborning of officials at all levels.

This is not to say that no-one is bribeable or corrupt. They are, especially in the financial world. As Mr Li's conviction shows, rules have been bent and at least one powerful man has gone beyond the limits of the law relatively openly and with impunity.

As one banker who has often been involved puts it: "Doing favours here has not really been seen as corruption – I've always thought of it as spreading happiness." Another says: "Some people used to exert a very subtle intimidation – you were worried what would happen if you didn't look after someone or other, though actually nothing did happen."

Corruption and fraud cases abound, in addition to the Li charges. On Wednesday, Mr Deacon Chiu, former Far East Bank chairman, and his son David, failed to persuade a magistrate's court to dismiss charges against them relating to alleged falsifying of the bank's accounts and conspiracy to defraud.

Mr George Tan, former chairman of the Carrian group of companies, still faces 29 fraud and corruption charges three years after a high profile fraud case against him was dismissed at the end of Hong Kong's longest ever (281 days) trial.

Now the need to clean things up is becoming urgent because time is running out before Hong Kong reverts to Chinese sovereignty in 1997 when, it is feared, corrupt officials of China's Communist regime will exploit loopholes in the law and the financial system.

This is why Mr Wood's role is crucial. He says he has come to "heal the wounds" because of the damage done to his department by the scandals. "When people are prosecuted for serious offences it hurts any organisation – and it hurts even more when it is the prosecutors who are being prosecuted."

The most well known case involves Mr Warwick Reid, 42-year-old former head of the commercial crime unit and deputy DPP. It has alleged bribery links with charges brought against Mr Li, and also involves separate charges of perverting the course of justice against three solicitors.

Mr Reid was jailed in July for eight years and was told to pay HK$12.4m (£820,000) to the government after admitting corruption and turning Queen's evidence. He was convicted under a special anti-corruption law because he could explain how he had acquired more than HK$3.74m of his HK$16.16m personal assets.

Mr Kevin Egan, a senior assistant crown prosecutor, faces charges of helping Mr Reid to escape to the Philippines while he was on bail and of giving him a gun, ammunition and passport.

Mr Christopher Harris, a 35-year-old former senior crown counsel, was convicted last February of incitement to procure under-age girls for sexual intercourse. Appeal judgments are pending on this case.

At least two other senior officials among the prosecution department's 110 lawyers have been suspended in recent weeks. Morale is being further hit because many expatriate government lawyers are leaving, some to become judges and some to private practice.

Mr Wood says he thinks the full extent of the corruption has now been uncovered. "I'm pretty sure we have got to the bottom of it. Now we need to implement some pretty strict controls and to make sure that people at the top of the department are people of great integrity."

But, as he learned in London, "in any commercial centre with tremendous profits to be made, there is always a risk of people finding temptation so great that it becomes irresistible".

Korean PMs agree to further talks

By John Ridding in Seoul

THE prime ministers of North and South Korea yesterday completed their two-day negotiations in the northern capital, Pyongyang, agreeing to hold further meetings but having made little progress in narrowing their differences.

"All we have agreed is to hold a third round of talks," the two sides said in a joint communiqué.

The talks are tentatively scheduled to be held in Seoul in December.

Mr Lim Dong Won, the South Korean spokesman, and Mr An Byung Su, his northern counterpart, expressed some cause for optimism.

"The declaration for reconciliation and co-operation, proposed by the South, and the North's non-aggression declaration have much in common, making us feel positive about the possibility of coming up with a substantial agreement."

But Mr An complained that the failure to accept a non-aggression declaration during the talks was "very regrettable".

Mr Lim responded that he regretted the North's rejection of three accords and an eight-point agreement on improving relations proposed by Mr Kang Young Hoon, the South Korean prime minister.

During his visit, Mr Kang met Mr Kim Il Sung, the president of North Korea, who has ruled the country since the peninsula was divided in 1945.

Mr Kim expressed hope for a summit meeting with Mr Roh Tae Woo, his southern counterpart, but called for more progress at the bilateral talks.

Central bank statements confuse New Zealand's markets

By Terry Hall in Wellington

NEW ZEALAND'S financial markets were in turmoil yesterday after a confusing series of statements from the country's central bank.

A statement on Tuesday suggesting that the bank was relaxing monetary policy and wanted interest and exchange rates to fall saw the dollar's trade-weighted value slip to a four-year low, closing at 58.5.

For the past year the bank had intervened every time the dollar had fallen below 60 points on the trade-weighted index.

Yesterday, the governor of the Reserve Bank, Dr Don Brash, said that the drop in the exchange rate had been so severe on Wednesday, that it would have to act to push it up. The bank feared a falling rate would fuel inflation.

The dollar regained half a cent against the US dollar and firmed against other currencies. But the greatest impact was in the politically-sensitive area of interest rates which the government is seeking to lower in the hope that it can win back much-needed support before next week's election.

Last month, Mr Mike Moore, the new prime minister, struck an accord with the trade unions under which they will accept low wage settlements. In return they expect interest rates and the exchange rate to drop, in the hope that this would help employment during the current recession.

THE MIDDLE EAST

PLO and allies in bitter attack on 'America's Arabs'

By Tony Walker in Cairo

DEEP Arab divisions re-emerged with a vengeance yesterday when hardline delegates walked out of an Arab League ministerial meeting in Tunis after bitter disagreement over a draft resolution condemning the US response to last week's killing of 20 Palestinians in Jerusalem.

Representatives of the Palestine Liberation Organisation, Iraq, Sudan and Yemen staged their walkout when they failed to secure a majority for the resolution that would have denounced the US for its "bias towards Israel's policy of repression and terror".

The pro-Western group, led by Egypt and Saudi Arabia, defeated the draft by 11-10, prompting a furious reaction from Mr Farouk Kaddoumi, the PLO's "foreign minister" who contemptuously referred to the majority as "America's Arabs". Discussions were continuing in an attempt to secure a consensus resolution. But the divisions are now so deep between Iraq and its supporters and the thin pro-Western majority that the League as a representative body for all the Arabs is virtually paralysed.

The PLO, which had demanded an emergency session at foreign minister level to condemn last week's terrible events on Temple Mount in Jerusalem, was angered because a number of Arab states among the 21 members of the League sent less senior officials. The PLO-sponsored draft resolution also sought to condemn "double standards" in the US approach to the application of UN resolutions.

This was a reference to the perceived US failure to force the implementation of UN resolutions demanding Israel's withdrawal from the West Bank and Gaza Strip, while it pressed ahead vigorously with a campaign to force Iraq's removal from Kuwait.

Yesterday's meeting is expected to be the last Arab League ministerial session held in Tunis. The majority has voted to move the general secretariat back to Cairo.

■ Neighbouring provinces of Iran and the Soviet Union have signed a letter of understanding on border trade and increased co-operation.

The agreement, which were signed on Wednesday in the Azerbaijan capital of Baku, calls for joint investment in the border areas and the transfer of technology.

Israel uneasy at new Syrian role in Lebanon

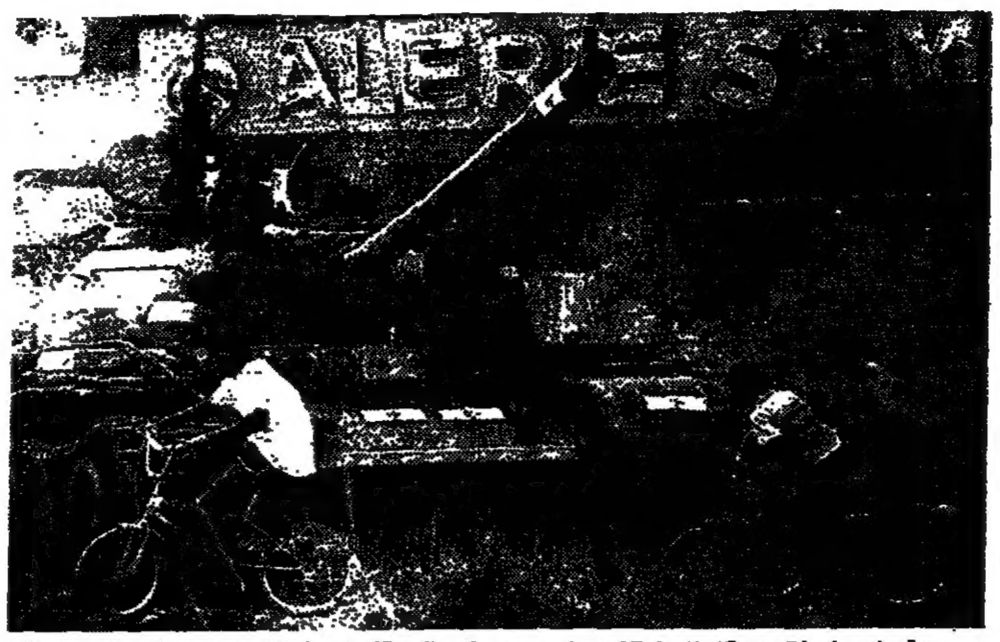
Events in Beirut may impose a change in regional policies, writes Hugh Carnegy

WHILE Israel has been preoccupied by the aftermath of the killings in Jerusalem's Old City 11 days ago, another dramatic event in the near vicinity – the defeat of Lebanese Christian rebel Gen Michel Aoun – has not passed unnoticed by the country's leaders.

The final removal of Gen Aoun last Saturday following air strikes and ground attacks on his Beirut strongholds by Syrian forces has raised what is, from Israel's point of view, the uncomfortable prospect of much extended Syrian influence over Lebanon and its now virtually unchallenged government led by President Elias Hrawi.

Like the shootings in Jerusalem, the events in Lebanon are at least indirectly linked to the Gulf crisis in a way that worries Israel. The clear perception is that Syria won tacit agreement from the US to use force against Gen Aoun – including the unprecedented Syrian use of air power in Beirut – as a reward for joining the Western-Arab alliance against Iraq.

This presents a glaring and disquieting contrast for Israel with its freedom to act in Lebanon at the moment. Officials do not deny that since the Gulf crisis began, Israel has not carried out any of its hitherto frequent air raids on hostile guerrilla bases in Lebanon as part of its agreement with the US to keep a low profile for fear of upsetting the US-Arab alliance.



Lebanese army troops monitoring traffic after the reopening of Beirut's 'Green Line' yesterday

"The green light which the Americans gave to the Syrians indicates that Israel must already prepare for a different Middle East, as developments take place at a dizzying pace and as the US totally changes its priorities and policy in the region," wrote commentator Uzi Mahanaimi this week. As for the narrower implications of the ouster of Gen Aoun, Israel had little affection for the Christian leader, especially since he was supported by Iraq. But there is concern that Syria may now at last be able to achieve the control over Lebanon that Israel so signally failed to achieve by its invasion of 1982.

"The Syrian action in itself doesn't have any direct influence on our security," says Mr Dani Naveh, adviser to Mr Moshe Arens, the defence minister. "But it raises questions about the future. We have to be very careful about possible developments as a result."

Israeli policy in Lebanon – now stripped of the wider ambitions of 1982 – is focused on maintaining control in south Lebanon immediately north of its border to prevent attacks by Palestinian and Islamic fundamentalist groups. This is done through a combination of direct occupation of a "security zone", use of its proxy militia called the "South Lebanese Army", air strikes and occasional ground strikes.

To date, a de facto understanding has operated with Syria by which the two sides do not encroach on their respective spheres of influence. What concerns the Israelis now is that an emboldened Syria might encourage groups hostile to Israel to step up pressure on the security zone and northern Israel.

Another worry is that President Hrawi's government, which has wide international recognition, will push for an Israeli withdrawal and disbandment of the SLA, along with other militias. Under present circumstances, this would be unacceptable to Israel.

With its great military power, Israel can, of course, resist such developments. It also continues to hold bargaining chips in the form of hundreds of Lebanese prisoners it and the SLA holds. If it feels its interests in any way threatened, its willingness to release prisoners to facilitate the release of foreign hostages in Lebanon – as demanded by their captors – might well be undermined.

Boycott set for helping Soviet immigrants

The Arab Bureau for the Boycott of Israel said yesterday it would blacklist any airlines or shipping companies taking Jewish migrants to Israel and the occupied Arab territories, Reuter reports from Damascus. A statement issued by the Arab League body also said it was boycotting three Yugoslav companies for assisting the flow of Soviet Jews by building settlements for them in Israel.

Stranded aircraft allowed to leave

Two Lebanese-owned aircraft stranded in Kuwait since the Iraqi invasion have flown out of Kuwait and landed in Beirut, insurance sources said yesterday, Reuter reports from London.

Kuwait's assets 'won't be sold'

Kuwait's exiled central bank governor does not expect to be forced into selling the nation's $100bn of investments to raise cash, even if war breaks out in the Gulf, Reuter reports from London. But Sheikh Salem Abdul Aziz Al-Sabah said he would consider increasing holdings of US treasury bonds. This would help indirectly fund the US in any war effort.

Iraq admits some mistreatment

Iraq has acknowledged that there might have been "isolated" displays of "inhumanity" by its soldiers in Kuwait but denied that they represent government policy, AP reports from Washington.

UK forces pay doubt cleared

Mr Tom King, the British defence secretary, told MPs yesterday that married military personnel based in Germany would pay reduced charges for their family accommodation to compensate for any pay loss while in the Gulf David White, Defence Correspondent writes.

Levy tells US settlement of territories will press ahead

MR David Levy told the US yesterday that Israel would press ahead with settling Jews in Arab territories captured in the 1967 Middle East war, including East Jerusalem, Reuter reports from Jerusalem.

His message to Mr James Baker, the US secretary of state, was described by Israeli officials as long-standing policy, but it appeared to backtrack on an October 2 letter which said that the government would not settle Soviet immigrants across the 1967 border.

The latest disclosure appeared certain to intensify Arab protests over Israel's settlement policies bringing in thousands of Soviet Jews.

Mr Levy wrote: "You are well aware that in the (earlier) letter there is no undertaking, either direct or indirect, to refrain from construction within Jerusalem – or anywhere else, including Judea, Samaria (the West Bank) and Gaza."

He had come under intense criticism from domestic critics who said that his earlier letter to Mr Baker weakened Israel's claim to Arab East Jerusalem, and threatened its plan to settle areas captured in 1967.

Mr Levy's previous letter had helped win Washington's agreement to guarantee repayment of $400m (£203m) in commercial loans that Israel will use to build housing for the Soviet Jews arriving in the country.

Jordan to step up training for civilians

By Lamis Andoni in Amman

THE Jordanian government has partly bowed to increasing popular demands to step up armed training for civilians as concern increases that Jordan will be trapped in a fight between Israel and Iraq should there be a US-led strike against Baghdad.

Prime Minister Mudar Badran said that the government would increase the number of training centres for the volunteer Popular Army, which was launched in 1985 to back up the kingdom's 110,000 regular forces.

Pressures on the government to expand training of civilians intensified following the Israeli killing of 20 Palestinians in occupied Jerusalem two weeks ago. Since then tens of thousands have demonstrated in support of the Palestinian uprising – intifada – and Iraq.

The demands were about to cause a serious internal crisis for the government of Mr Badran when the parliament – in an emergency session – threatened to vote against the cabinet in a confidence motion.

But this week a compromise has been reached as the government pledged to step up armed training for civilians who have joined the Popular Army rather than nationwide arming of the people, while the deputies seemed to drop their earlier more extreme demands.

The government is said to be concerned not touch off the sensitivities of hard core Jordanians, some of whom still fear that arming the Palestinians, who constitute roughly half of the population, would lead to the Palestine Liberation Organisation taking control of the country.

The government and parliament are said to be trying to avoid any source of friction despite indications of a stronger Jordanian-Palestinians unity.

Jordanians, including government officials, fear an Israeli military incursion into the country as part of a western military attack against Baghdad. Officials here believe that Israel is pressing for a military confrontation rather than a political solution for the Gulf crisis to ensure the destruction of Iraqi military strength.

Poll suggests Britons are most hawkish over crisis

By Alison Smith

BRITAIN is the most hawkish of the European Community countries in its attitudes towards the Gulf crisis, according to an opinion poll which was published yesterday.

The first poll conducted across EC countries since the crisis began showed France as the country where attitudes are closest to the British in support of military force in the area if necessary.

While most people in the five EC countries surveyed support the stance of the United States on the Gulf, however, there was marked resistance in Germany, Spain and Italy to sending their own ground troops to the area, and – to a lesser extent – even to sending military equipment and supplies. The Gallup telephone survey found that more than 85 per cent of Britons supported the use of military force to free Kuwait or to free the hostages, while the average for the five countries was between 70 per cent and 75 per cent.

The survey also found that in Germany, France and Britain President Bush's action in sending armed forces to the Gulf received higher levels of approval – 75 per cent, 73 per cent and 80 per cent respectively – than in the United States itself, where the most recent polls find a 70 per cent approval rate.

BUSINESSES FOR SALE

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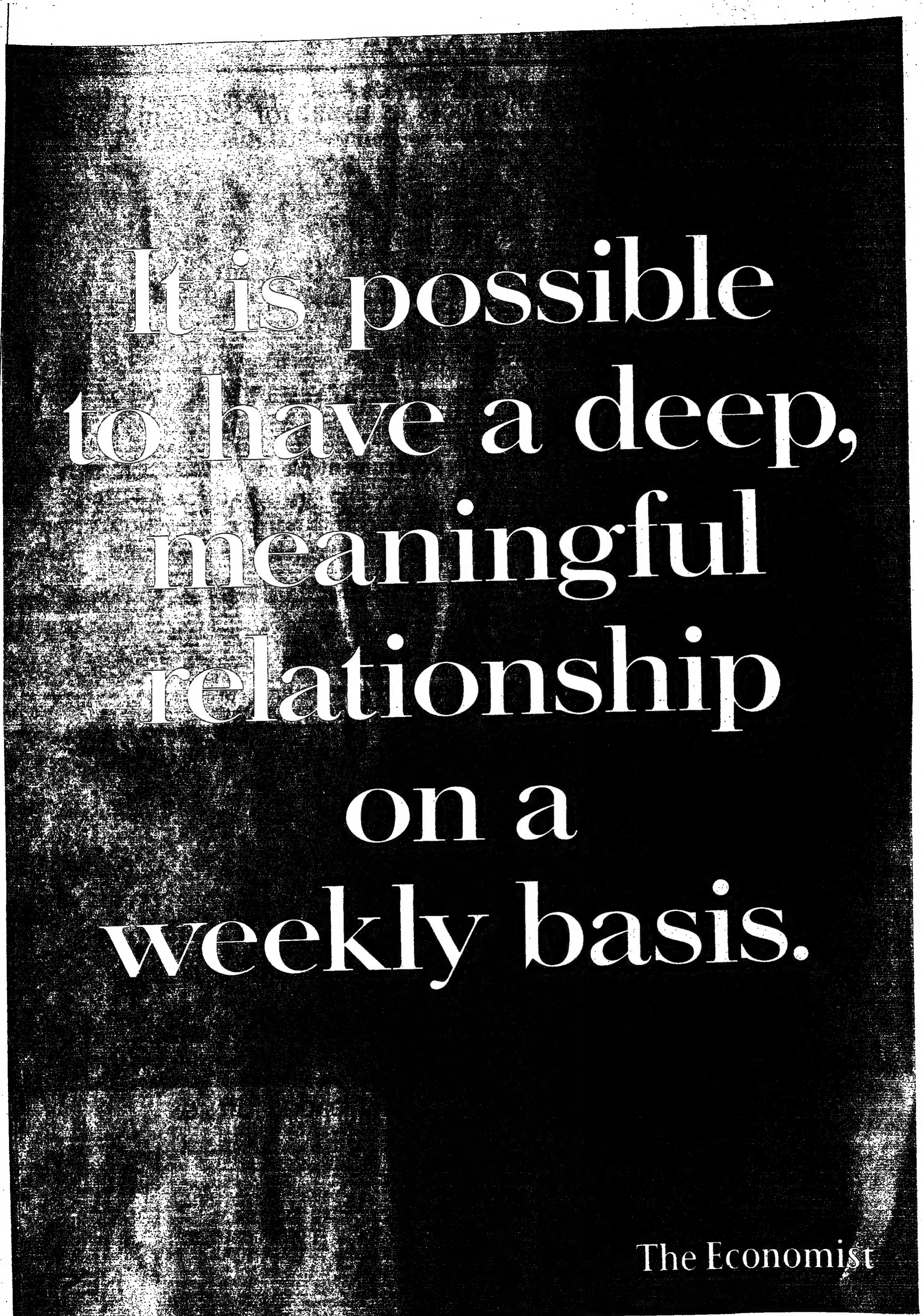

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Thatcher refuses to shelve radical education plans

By Alison Smith and Norma Cohen

THE HEATED political row about education policy erupted again in the Commons yesterday, as the prime minister refused to rule out the introduction of a radical scheme to give out vouchers to parents to spend on their children's education.

Mrs Margaret Thatcher sounded furious in exchanges during prime minister's questions, as she insisted that schools vouchers would be an additional way of providing parental choice about their children's education.

There was growing uproar among MPs as she said that the Labour opposition hated higher standards, choice and opportunity, and wanted total central control of education.

Within an hour of these exchanges, the government was under fire again as Mr John MacGregor, the education secretary, announced that the government's plans for testing young children would not cover the wide range of subjects earlier envisaged, but would concentrate on basic skills.

Mr MacGregor said that seven-year olds would be tested only on their English, maths skill and scientific knowledge, as well as on their ability to read, under greatly slimmed-down national exams.

Mr MacGregor said that no changes in the form of the tests, recommended two weeks earlier by the government's independent advisors, had been made following a meeting with Mrs Thatcher on Tuesday when the tests were discussed.

The new exams will test all children's knowledge of reading and writing as well as knowledge of basic numeracy and problem solving and of basic scientific principles.

Teachers will be allowed to assess each child to decide basic competence before administering tests, so they can administer fewer tests per child.

Mr Jack Straw, the opposition spokesman on education said that Mr MacGregor's statement, confirming the limit on the tests for young schoolchildren, represented a "humiliating U-turn".

No longer business as usual for Saddam's supplier

Richard Donkin explains the background to legal moves against an Iraqi-owned machine tool company

THE arrest on Tuesday and questioning of three British directors of Matrix Churchill, the Iraqi-owned Midlands machine Tool manufacturer, on suspicion of possible breaches of export licensing laws, will have reverberated through the western European machine tool industry. THe industry exported heavily to Iraq before the invasion of Kuwait.

Days before Customs and Excise raided the company, Mr Paul Henderson, managing director, and Mr Peter Allen, sales and marketing director, described how they and their UK and European competitors had been part of a scramble for Iraqi business over the three years before the invasion.

Both directors, now on police bail without restrictions – no charges have been laid against them – identified the Iraqi Embassy in Bonn as the nerve centre for Iraqi procurement across Europe around 1987 and 1988.

UK machine tool companies, said Mr Allen, were "queueing at the door" of the embassy during 1987 after West German, Swiss and other European competitors had mopped up the early tranches of Iraqi orders.

"We were well aware the Europeans were doing extremely well in Iraq and we started to explore the market opportunities," said Mr Henderson. Matrix was invited to tender orders for Iraq early in 1987.

"The reason the UK started to benefit significantly in 1987-88 was because the European machine tool industry was choked up with orders from Iraq and were unable to meet delivery times on new orders," he said.

Matrix was awarded three orders for lathes worth £19m in total. This included a licensing order for the production of 200 of Matrix's 2 and 3 series Computer Numerically Controlled (CNC) lathes. The lathes were constructed in Iraq from kits supplied from Coventry.

According to Mr Henderson the possibility of the Iraqis buying the company from the TI Group in 1987 came up over a dinner with the customers. He was invited to Baghdad by Dr Safa al-Habobi, the former director general of Nassr, a huge industrial establishment that formed part of Iraq's Ministry of Industry and Military Production. Dr Al Habobi had established the Al Arabi Trading Company, with offices in Baghdad.

The Matrix directors said they were told that Al Arabi was one of 200 private companies allowed in Iraq by Saddam Hussain in an attempt to introduce greater productivity into Iraqi industry. It had simple offices, not much different from an ordinary house. Al Arabi is now believed by Western intelligence to have been part of the Iraqi state effort to expand its military might.

Dr Fadel Jawad Kadhum, identified by UK officials as a senior official of Iraqi state industry, led the legal negotiations for the buy-out which was completed in October 1987. Dr Kadhum became non-executive chairman of the company which also took on two other non-executive Iraqi directors, Dr Al Habobi and Mr Adnan Al Amiri.

Peter Allen: company always applied for export licences

Paul Henderson: explored market opportunities available in Iraq

The buy-out was engineered through two UK registered companies, TMG Engineering and Technology and Development Group TDG). TDG was run from offices in Chiswick, London, by Iraqis including Dr Kadhum and Dr Safa, both of whom have left the country, Dr Kadhum having resigned his Matrix directorship.

It was not until the discovery last year that a small branch of the Banca Nazionale del Lavoro, the Italian state bank, in Atlanta, Georgia, had secretly supplied £3bn of credits to Iraq, that Matrix's Iraqi ownership became widely known. Within days Matrix was found to be part of an international Iraqi procurement network that set alarm bells ringing throughout western intelligence agencies.

About six months ago negotiations started between the UK and Iraqi directors, originally with a view to the Iraqis maintaining an interest. When Iraqi troops invaded Kuwait in August the UK directors realised they would have to engineer a complete break from Iraqi ownership.

The need for the buy-out was underlined when the Bank of England moved to freeze Matrix accounts last month.

Reflecting with some bitterness on the general lack of interest or support for the machine tool industry from City institutions, Mr Henderson pointed out that the Iraqi buy-out had allowed the British managers to turn the company round from a loss maker to a business employing 600 people and making £2.5m profit a year.

At the same time it invested in a new computer, and revamped much of the factory. Today it is the process of developing a new range of computer numerically controlled lathes. It has also become the number one supplier in the UK of flexible manufacturing systems, some of which are being used by the Rover Group in the manufacture of the 200 and 400 series cars.

The Matrix directors have always said they were confident about the legitimacy of their exports. The company had been an established exporter to eastern Europe and the Middle East and, said Mr Henderson, always followed correct procedures.

Mr Allen maintained yesterday the company always applied for licences whether it needed them or not and co-operated closely with the Department of Trade and Industry. This had applied, he said, over the specific lathe export now under Customs and Excise scrutiny. The company, he said, was continuing to operate as normally as possible within the restrictions.

UK makes progress with EC on tax rules

By John Authers

THE UK has made considerable progress in negotiations with other European Community nations over Value Added Tax and excise regulations for 1992, the chairman of Customs and Excise said yesterday. However, some proposals could still cause a "monstrous paper mountain".

Mr Brian Unwin told a conference of the Institute of Chartered Accountants that the EC's latest proposals were much more acceptable than the earlier position.

VAT will at first be paid by the "destination principle" – traders will pay at the rate for the country where products are sold, not where they are produced. The UK welcomes this proposal, but opposes switching to charging VAT at the rate for the country of origin after 1996.

Mr Unwin also announced a new system for greater exchange of information to combat fraud.

The UK, however, opposes the proposed introduction of mandatory listings of all internal EC trade, transaction by transaction. "This would create a monstrous paper mountain, out of all proportion to the risk, and be unacceptably burdensome," he said.

Customs has suggested a compromise, where traders would provide a list of their aggregate dealings with customers at regular intervals.

Earnings rise despite government pleas

By Rachel Johnson, Economics Staff

GOVERNMENT pleas for wage restraint, and a continuing rise in unemployment, failed to prevent a further rise in average earnings growth in August.

Figures released yesterday showed that earnings rose 10.25 per cent in August, with an increase particularly evident in the service sector, which accounts for more than half of the British workforce.

The Department of Employment also announced yesterday that seasonally-adjusted unemployment rose by 13,300 in September, amounting to 5.8 per cent of the workforce. On an unadjusted basis, the jobless total rose by 16,200 to 1.67m, a figure closer to the official assessment that unemployment is rising by 15,000 a month.

However, the continuing rise in unemployment since April while the economy has slowed has failed to stop companies awarding high wage settlements to keep pace with inflation – which rose at a rate of 10.9 per cent in September.

The rise in average earnings in August to 10.25 per cent brought another government appeal for wage restraint.

Mr Michael Howard, the employment secretary, said the unemployment rise was "disappointing". He emphasised that the private sector had to cut costs to remain competitive after the UK's entry into the exchange rate mechanism.

Both companies and employees had to ensure that "pay settlements do not rise above an affordable level". If they failed to do so, sterling could no longer be devalued to ease the pressure on companies, he warned.

The increase in the average earnings index in July was revised upwards, also to 10.25 per cent, after the index was recalculated to include late information on pay deals.

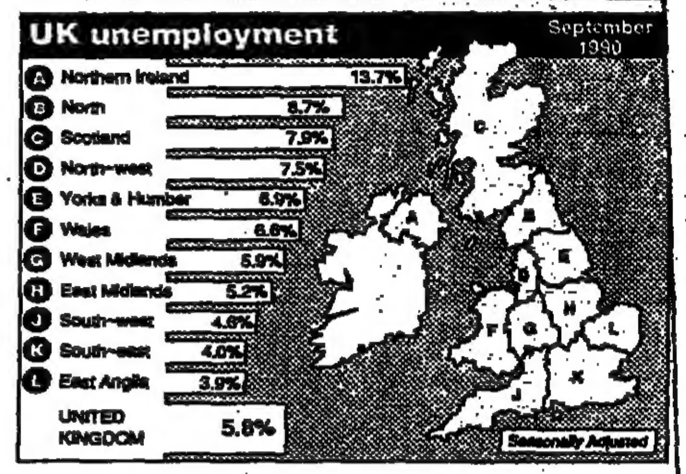
The fact that the labour market – traditionally slow in responding to turning points in the economy – has been showing rising unemployment for six consecutive months adds to evidence that the UK is undergoing a pronounced slowdown.

Mr Tony Blair, the Labour spokesman on employment, said the UK was in a recession and that "high mortgage rates, inflation and items like the poll tax", were fuelling wage demands.

Further signs of a slowdown were provided by separate figures showing that the government's chosen measure of the money supply had subsided.

The growth in M0 – which mainly consists of notes and coins in circulation – has fallen to 4.6 per cent, well within its target annual range of 1 per cent to 5 per cent. A reduction in M0's annual growth rate was the economic indicator singled out by Mr John Major, the Chancellor, for his cut in interest rates.

However, the government-induced reduction in demand has led to a drop in productivity, figures indicated. UK unit wage costs are rising faster than those of its international competitors as productivity has slackened and average earnings risen. Unit wage costs in manufacturing rose from 7.8 per cent to 8.6 per cent in August – the highest since June 1981 – as company spending on wages has outstripped output growth.



Mr David Walton, economist at Goldman Sachs, the investment house, said: "Unless firms start shedding labour or wage settlements fall, wage costs are going to rise above 9 per cent".

In Yorkshire and Humberside, the north and north-west, Wales and Scotland the unemployment rates have not risen over the month. Hardest hit by rising unemployment has been the south-east, the Midlands and East Anglia – where service industries are concentrated and the most sensitive to the lower economic activity.

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UK NEWS

KEGWORTH AIR DISASTER

Inquiry blames accident on error by pilots

By Paul Abrahams

THE Kegworth air disaster, in which 47 people died, was caused by the crew shutting down the wrong engine, according to the Department of Transport's Air Accidents Investigation Branch whose report on the accident was published yesterday.

The report says the commander and first officer shut down the right-hand engine after a fan blade disintegrated in the left engine. As the aircraft neared East Midlands Airport for an emergency landing, the extra thrust required from the left engine caused it to fail. The British Midland Airways Boeing 737-400 twin-engined jet crashed beside the M1 motorway.

The report says the following factors contributed to the incorrect response from the flight crew:

- The combination of heavy engine vibration, shuddering and an associated smell of fire was outside the crew's training and experience.
- The pilots reacted to the initial engine problem prematurely and in a way contrary to their training.
- They did not take in indications on the engine instrument display before they throttled back the right-hand engine.
- As the right-hand engine was throttled back, the noise and shuddering on the left engine ceased, persuading the crew that it had correctly identified the defective engine.
- The operating crew was not informed by the three cabin attendants that the flames had come from the left engine rather than the right one.

The first-pilot told the investigators he had no recollection of what he saw on the engine instruments which led him to tell the commander the problem was in the right-hand engine. The cockpit voice recorder shows that the first pilot said: "It's the le... It's the right one." The commander replied: "Okay, throttle it back."

The failure of the CFM 56-3C engine, built jointly by Snecma of France and General Electric of the US, was caused by fatigue on one of its fan blades, according to the report.

Rear-facing seats could have reduced casualties

By Paul Cheeseright

CASUALTIES in the Kegworth air disaster last year would have been reduced had passengers been in seats facing the rear of the aircraft, medical researchers have concluded.

Analysis of injuries suffered both by those who survived and those who died in the crash showed also that overhead luggage lockers should either be more securely fixed or eliminated. The design of the locker doors should be improved to prevent sudden opening and the amount of luggage stowed in the lockers should be limited.

Recommendations for improvements to the internal design of aircraft are contained in a study, published yesterday, of the Kegworth disaster by the Nottingham University Medical School and doctors from hospitals in Belfast, Derby, Leicester and Nottingham, where the survivors were treated. The medical specialists worked with HW Structures, a Leamington Spa engineering consultancy.

The study was prepared with the help of the UK civil aviation authorities and its recommendations follow those adopted in the official report.

LAW SOCIETY CONFERENCE

Judge urges lawyers not to abandon traditional roles

By Robert Rice, Legal Correspondent, in Glasgow

SOLICITORS were warned yesterday not to abandon their traditional professional functions in carving out their role in the new Europe of the nineties.

Judge David Edward, Britain's judge at the European Court of First Instance, told the conference that the role of lawyers remained the same even if the context in which law was now practised had changed dramatically.

The creation of the single European market in 1992 was bound to have enormous implications for the role of lawyers, how the profession was organised and disciplined, and the role of law societies and bars, he said.

The British profession need not fear that 1992 meant the end of the English common law system. On the other hand, they had to recognise that there could be commercial disadvantages in the existence of legal differences and that economic predominance tended to produce legal dominance.

There was often a hard choice to be made between maintaining the purity of a minority legal system and eliminating the barriers to trade that unnecessary legal differences created, he said.

In the economic context of Europe in the nineties, the English legal system would not be the majority system, nor the system of the economically predominant member state.

But, he said, the effect of the changing face of Europe would not just be felt by the larger commercial law firms. If, for example, abolition of frontier controls came about as a result of the Schengen agreement its effects would be felt by all lawyers.

Judge Edward rejected the idea that the role of lawyers in the nineties was to become increasingly specialised technicians. Issues such as immigration and entitlement to social security where questions for all solicitors and not just EC law specialists, he said.

Society president looks to Europe for expansion

By Raymond Hughes

THE CHALLENGES and opportunities offered to lawyers by the creation of a single European market, and the need to think internationally, were predominant themes at the opening of the annual conference of the Law Society of England and Wales, the representative body for solicitors.

The tone was set by Mr Tony Holland, the Society's president, in his opening speech to conference in Glasgow yesterday.

"The international dimension of the future practice of law will be one of rapidly increasing importance," he said.

"During the coming year I want to see a continued strengthening of the international role of our profession and of the Law Society itself."

The future of the legal profession, like that of the UK as a whole, was inevitably tied up in Europe, Mr Holland said. Lawyers would have to be flexible and learn to allow both UK law and legal institutions to adapt.

"In a frontier-free Europe people will come to insist that the harmonisation programme should reach all parts of the legal system, so that a legal transaction or dispute should have the same consequences in each member state."

Mr Holland said there were those in Europe who seemed to believe that excluding foreign lawyers and putting up artificial barriers was the way to survive.

"On the contrary, I believe that if we can develop Britain as the place with the fewest restrictions, with the most entrepreneurial outlook, and with the lawyers who understand both civil and common law, we will become clearly recognised as the legal centre of the world: the natural place to study as well as the place to do business."

On domestic issues the Law Society president challenged the government to join in a partnership with the society to control the rising cost of legal aid: last year the net cost exceeded £500m.

"We know there is waste in the system as a whole. We are prepared to help to identify and tackle areas of inefficiency, including any which may be our profession's responsibility, and to commit the necessary resources on our side."

What the profession looked for from the government was a commitment to tackling jointly the factors which pushed costs up, procedural complexity, under-resourcing of the Crown Prosecution Service, and delays in getting cases heard.

"Together we should aim to establish an efficient, properly resourced court system, whilst ensuring that legal aid is made available to those who cannot afford the full cost of solicitors' services wherever their liberty, their employment, their home or family, health or financial security is at stake."

Mr Holland announced that the Law Society would publish in the New Year a consultation paper putting forward proposals for changes in the process of the appointment of judges.

There was, he said, a growing concern that the present system was not serving the purposes the public rightly expected of the judiciary.

Referring to "judicial conservatism stifling long overdue change," Mr Holland asked "Why do we have monochrome male middle-aged judges in this country?" The answer, he suggested, lay chiefly in the methods of judicial appointment which discriminated against women, ethnic minorities and solicitors.

BRITAIN IN BRIEF

Half a mile separates Channel link

Engineers digging the service tunnel of the Channel tunnel between the British and French coasts are within less than half a mile of meeting.

The share price of Eurotunnel rose 17p to 445p on the news that the British end of the tunnel was 13.6 miles out to sea compared with 9.42 miles for the French tunnel. According to Eurotunnel that leaves just 0.46 miles to be dug.

The service tunnel is the first of three tunnels to be bored under the Channel. Eurotunnel said that three quarters of the tunnels had been completed.

The group is in the process of raising a further £2.6bn needed if the project is to be completed.

British Gas raises prices

Gas price increases for 17m domestic customers were announced by British Gas, which was also accused of profiteering from a recent round of price changes for business customers by the Major Energy Users Council which represents large industrial and commercial users.

Gas prices for domestic customers, and business customers using less than 25,000 therms a year, will increase by 3.3-3.7 per cent a year from November 1, the first mid-year increases since the company was privatised.

Domestic gas prices were last increased by 7.5 per cent in March. British Gas blames the rises on inflation and oil price increases.

ICI to produce CFC-substitute

ICI has won the race to manufacture a new ozone-friendly chemical for use in refrigerators and air conditioning systems.

The product, which is known as Klea 134a, started production at a new multi-million pound plant at the company's site in Runcorn, Cheshire. It will replace the chlorofluorocarbons, or CFCs, that contribute to global warming.

Monetary growth eases

The government's measure for the amount of money circulating in the economy fell last month, giving further evidence that the Treasury's anti-inflationary efforts appear to be working and that Britain is moving closer to an economic slowdown.

M0, the narrow measure of money mainly comprising notes and coins in circulation, decreased by 0.4 per cent between August and September on a seasonally adjusted basis.

Media freedom curtailed

Media freedom in the UK has been eroded and increased powers of censorship have been placed in the hands of the Government, according to a report by Article 19, the international campaign against censorship.

Its publication coincides with the second anniversary of the broadcasting ban on Sinn Fein, the political wing of the IRA and other organisations.

Ms Frances D'Souza, director of Article 19, said that virtually every current freedom of expression controversy in the UK was before the European Commission of Human Rights. "Yet the Government has shown itself to be more concerned with control over the media than with creating safeguards to freedom of expression and editorial independence," Ms D'Souza said.

Finance houses curb investment

The investment activity of British financial institutions fell sharply in the second quarter of this year, partly because insurance companies halved their investments compared with the preceding three months.

Reporting a drop to £4.8bn in second quarter institutional investment from £8.4bn the quarter before, the Bank of England said net investments by life insurance companies totalled only £2.5bn in the second quarter against £4.9bn in the first quarter.

CBI suggests poll tax reform

Mr John Banham, director general of the Confederation of British Industry, has advocated a substantial reform of the community charge, or poll tax, to bring the average payment in England and Wales down to £250.

The present average is more than £350 and this is expected to rise to over £400 per chargepayer in the year beginning next April.

Mr Banham, speaking at the Institute of Revenues, Rating and Valuation conference at Scarborough, said that poll tax money should be used only to meet the cost of those services under local control. These accounted for only 20 per cent of local government spending.

Electricity plans under criticism

The new regulatory regime for the electricity industry will be impossible to administer after privatisation, a group of large energy users has said.

The Major Energy Users' Council, which represents about 160 large industrial and commercial consumers of electricity, is to press the Government to change the regulatory regime after the industry's privatisation.

The association said that the new electricity regime gave an unfair advantage to the established generating companies, National Power and PowerGen.

Privatisation was designed to make the electricity industry more competitive, the association argued, but the present system will discourage new players and keep prices to the end consumer high.

FT LAW REPORTS

No set-off against secured debt

IN RE NORMAN HOLDING COMPANY LTD
Chancery Division: Mr Justice Mervyn Davies: October 8 1990

A CREDITOR who proves in the liquidation of an insolvent company for an unsecured debt, must submit to set-off of what he owes the company as against that debt; but there is no set-off against a second debt which is secured, unless he elects to prove for that debt also in the liquidation.

Mr Justice Mervyn Davies so held when giving judgment for the creditor, Harrowby Street Properties Ltd, on a preliminary issue in its application in the winding-up of the company, Norman Holding Company Ltd, against the liquidator and three other respondents including Damin Stiftung.

HIS LORDSHIP said that the company was in insolvent liquidation pursuant to a winding-up order.

On facts agreed or assumed for the purpose of the present preliminary issue only, (a) Harrowby was a secured creditor of the company for £400,000; (b) Harrowby was an unsecured creditor of the company for an unspecified sum; and (c) the company was a creditor of Harrowby for an unspecified sum.

The issue was whether Harrowby's secured debt could be reduced by set-off of the unspecified sum it owed the company. Trial of the preliminary issue was without prejudice to Harrowby's entitlement in the future to argue that the assumptions as to the company's right to cross-claim were incorrect.

Mr Knowles for Harrowby contended that there should be no set-off. Mr Hacker for Damin contended for set-off.

It was agreed that if there had been no liquidation there would have been no set-off (see *Samuel Keller Ltd v Martins Bank [1971] 1 WLR 43*). Mr Hacker said the position was otherwise when liquidation supervened.

Rule 4.90 of the Insolvency Rules, providing for set-off, applied where "before the company goes into liquidation there have been mutual credits, mutual debts or other mutual dealings between the company and any creditor of the company proving or claiming to prove for a debt in the liquidation".

There was to be a set-off between Harrowby and the company if and to the extent that the rule applied. The rule applied when there had been mutual credits. But the mutual credits must have been between the company and any creditor "proving or claiming to prove . in the liquidation".

It was said that rule 9.40 applied in respect of all the mutual debts as between Harrowby and the company so that there could be set-off not only as against the Harrowby unsecured debt but also as against the Harrowby secured debt.

The Insolvency Rules gave no clear answer to the question whether or not set-off operated against a secured debt.

In *Ex parte Barnett 9 Ch App 293.295* Lord Selborne LC said that when there had been mutual dealing and proof was to be made in bankruptcy "there is to be a rule of set-off, not . . . at the option of either party, but an absolute statutory rule".

In the Australian case *Hiley v People's Prudential Assurance Co Ltd (1938) 60 CLR 468,498* Mr Justice Dixon said "secured debts or liabilities are no less the subject of set-off than unsecured debts . . ."

Barnett and *Hiley* were cases in which the security was held by the insolvent estate, whereas in the present case the security was held not by the liquidator, but by Harrowby.

With that distinction, *Barnett* was not authority for saying there must be a set-off against a secured creditor such as Harrowby.

The express words of the Insolvency Rules did not say whether or not set-off arose in the present circumstances, and the authorities gave no sure guidance. In that situation the following considerations seemed to apply:

(1) Reading rule 9.40, it seemed there was no set-off unless the creditor proved or claimed to prove for his debt in the liquidation. Had Harrowby only its secured debt there would thus be no set-off, because it had not proved and did not intend to prove for its secured debt.

(2) If it was right that there was no set-off against a secured creditor who did not prove, it would be a curious circumstance if proving his unsecured debt operated to involve him in set-off not only in respect of the unsecured debt, but also in respect of a secured debt.

(3) On the other hand, one reading of rule 4.90 as a whole suggested that if there was an unsecured as well as a secured debt, the creditor had to submit to set-off in respect of both his debts. For the set-off rule applied when there were mutual debts between the company and "any creditor proving . . . for a debt". Harrowby was proving for a debt – its unsecured debt.

(4) Rule 4.90 should not be read so literally as set out in (3). A 4.90 set-off operated in the course of a liquidation. But a secured creditor who did not prove was not involved in the liquidation in respect of his secured debt – even if he was involved in respect of another debt which was unsecured and for which he had to prove.

The secured debt must be considered separate and apart from the unsecured debt because the secured debt was not a "debt in the liquidation".

As a secured creditor he did not (unless he so elected) prove or claim to prove for his debt in liquidation.

He relied on and realised his security. But as an unsecured creditor he proved in the liquidation and so was caught by set-off as to the unsecured debt. Rule 4.90 affected debts proved in the liquidation and did not affect debts that were elected not to be proved therein.

The position was that a creditor with two debts, one secured and the other unsecured, was obliged to submit to set-off in respect of his unsecured debt, but was not obliged to submit in respect of his second debt because for that debt he was not proving in the liquidation. While 4.90 set-off applied to an unsecured creditor who proved in the liquidation, that creditor *was not* obliged to bring into account any secured debt owing to him by the insolvent company if the secured debt was not proved in the liquidation.

For Harrowby: Robin Knowles (Simmons & Simmons).
For Damina: Richard Hacker (Dibb Lupton Broomhead & Prior).
For the liquidator: Mark Arnold (Norton Rose).
The other respondents did not appear and were not represented.

Rachel Davies
Barrister

Luxury car sector

BMW — 'tailoring' its competitive challenge

John Griffiths on the German company's strategy to confront the Japanese

One of BMW's Continental customers has just taken delivery of his new 7 Series "executive express". 'Sevens' are typically ordered in subtle metallic colours. This one was bright yellow. *Far from holding* up its hands in horror, BMW had painted the car itself.

"We are quite prepared to supply a car in any non-standard colour a *customer* wants; all it takes is some extra order time (and cost), because we have to clean out paint lines and so on," says Robert Büchelhofer, main board director responsible for the West German car-maker's worldwide sales.

Büchelhofer cites the "Bavarian banana" as a small example of a *number* of new tactics being employed by BMW to fend off what it accepts will be an increasingly fierce challenge from Japanese and other rivals as the 1990s progress.

This month, the Japanese challenge in particular has taken on *new significance* for both BMW and Mercedes with the launch by Toyota in Germany itself of the Lexus luxury car range. It is the first from Japan *intended to do battle* with the top cars from the German manufacturers.

BMW's "any colour" option is an element of its strategy of "tailoring" cars to customers' requirements to an extent usually confined to very small volume luxury car-makers like *Rolls-Royce or Aston Martin*. Certainly, it is not typical of manufacturers like BMW which produce more than 500,000 cars a year.

Hand-crafted leather interiors and extra performance will complement the tailored approach, making it possible for a customer to have a completely individual car, says Büchelhofer.

Such an approach, he claims, is fundamentally different from the Japanese practice of standardising cars around a high level of equipment with no options — and is likely to be preferred by more demanding customers, particularly *in Europe. This situation* is unlikely to continue for too many years, however, since Toyota is already planning a production system capable of responding speedily to individual customer requirements — see this page, September 10.

"There will always be special needs," he declares, pointing out that buyers of fine watches are prepared to pay much more for a "name" watch than is warranted by function alone, while the Swiss have used individuality to strike back at the Japanese — even at the lower end of the watch market — with the "Swatch".

In similar vein is the introduction of some of the after-sales support services. An increasingly large fleet of specially-equipped 5 Series BMWs is being put on the road, with no other function than to dash to the help of broken-down BMWs.

For example, there were *eight of* these cars, jointly funded by dealers and manufacturers, on standby in the UK last year. Now there are 30, based at strategic points around the country. Their number will continue to grow until there are deemed to be enough *to deal with the 80* per cent of breakdowns occurring in the 300,000 BMWs in the UK that can actually be solved at the roadside.

They are a partial reflection of BMW's determination to survive in the long term as a niche player in world markets — but a big and profitable one catering to affluent buyers.

"We're not a mass producer and we don't want to be one," Eberhard von Kuenheim, BMW's management board chairman, said recently. "We don't want to produce and sell millions. But we *do want to sit at the top* end of the market and the bigger the world at the bottom, the better for BMW at the top."

Eberhard von Kuenheim

Niches, Büchelhofer makes clear, could mean almost anything in the future. "There are none that BMW *wouldn't go into if it was thought to* be a good idea." For example, the company is watching closely the trend towards "people carriers" — seven or eight seater vehicles like the Renault Espace. It regards the hatchback sector, however, as too down-*market and — more puzzlingly* — is not contemplating a move into sports cars other than its very limited production Z1 two-seater, with its DM 100,000 (£37,000) price tag.

"We've never had any significant proportion of the sports car market," *says Büchelhofer, but acknowledges* that Japanese manufacturers like Mazda, Toyota and Nissan are the greatest beneficiaries of a worldwide upsurge in interest in sports cars even in the face of increased concern over the environment.

Instead, BMW's future strategies for its models will be based around four concerns: safety, environment, economy and comfort, says Büchelhofer.

Despite BMW being perceived in many markets as primarily a producer of performance cars, he says he has "no image problem" with introducing economical diesel versions — already sold widely in the former *West Germany and some other Conti*nental countries — in those markets if high fuel prices are sustained.

Despite BMW's reputation as a technical innovator, the company is relatively dismissive about some areas of technology about which many other *car makers — Japanese in particular* — wax very enthusiastic.

Four-wheel-drive is one. "We don't need four-wheel drive, or even front-wheel drive. The electronic traction systems we have now, preventing skidding under braking or acceleration, mean *that these other systems* are too expensive and not really needed." BMW has developed 4wd systems, and will retain them in those of its cars intended to be bought by those who have to cope with deep snow. Otherwise, points out Büchelhofer, *"four-wheel drive accounts for* only 2 per cent of registrations in Germany."

BMW has also become even more convinced that it can survive on its own. This is despite its relatively small size compared with the Japanese manufacturers and the loss of independence within the past year or so of other much-respected names such as Jaguar and Saab.

"We have no need of collaboration on manufacturing," says Büchelhofer, referring to the vast 'FIZ' manufactur*ing and product development* centre on which it has spent more than DM 1.2bn, and which houses 6,000 engineers, near its Munich headquarters. "Nor do we need to collaborate on distribution — we've got dealers everywhere." But there is scope to work with other vehicle makers and sectors of industry in areas such as recycling, he continues.

BMW's proclaimed confidence in its ability to "go it alone" on manufacturing and product development is explained by Wolfgang Reitzle, *BMW's director of research* and engineering. Reitzle accepts that smaller car-makers have been overly optimistic in hoping that flexible, automated manufacturing processes would all but eliminate their cost disadvantages *vis-à-vis* the biggest car-makers. Econ*omy of scale advantages, he points* out, will always exist no matter how assembly processes alter.

"But the important thing is that as the automation becomes more complete, the saving becomes smaller; the cost *versus* volume curve becomes *shallower. So the advantage of mass* manufacturers exists, but is always reducing. At a market share of 1.5 per cent, and no intention much to exceed this, we also have the option to *charge a premium price* to cover the gap. But we are also working on bringing the premium *price down* more."

BMW regards another major area for cost-cutting as logistics. It is retaining its wholly-owned national sales companies but putting its parts distribution operations on a pan-European footing.

A network of strategically-placed warehouses, some under construction, is being established throughout Europe. They will be supplied much more frequently than currently — using "air bridges" for emergencies where necessary — by BMW's main parts centre at Dingolfing, near *Munich. The system is starting* to work on a pilot basis this year, and will be fully operative in 1991. Locations include Strasbourg, Frankfurt and Hanover in Germany, Bornem (Belgium), Verona (Italy) and Madrid (Spain).

As the single EC market develops, they will be operated independently of national boundaries, says Büchelhofer.

Car-ordering is going along similar lines. Albert Schneider, responsible for BMW's sales in Europe excluding the Germanic-speaking *countries*, says that dealers in his region will soon be able to place orders directly into production line computers instead of having to go through *national sales* companies. It is another means of shortening the supply pipeline "and getting inventory down at all levels", says Schneider. A pilot project has been operating in the UK for some time.

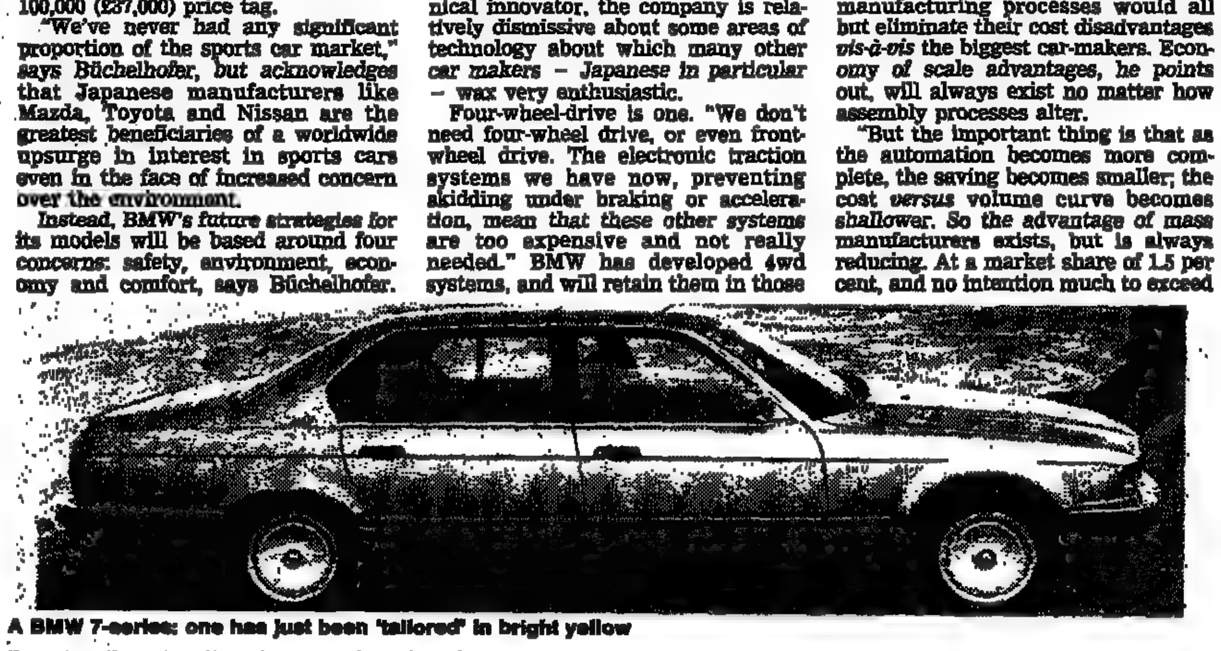
In the case of the UK, when and if the Channel Tunnel becomes a reality it should also be possible to reduce *the supply time between a car leaving* the production line and arriving at BMW's Doncaster preparation centre to 1.5 days, as a result of improved improved administrative systems and simplified transport arrangements, Schneider points out.

Actually, *taken by rail or transporter* to port;off-loaded, hang around for ferry; off-loaded again UK point of entry, picked up by transporter again, off-loaded somewhere else, etc. Gather idea is to rail them straight thru.

Last year, BMW built and sold around *525,000* cars, up from around 490,000 a year earlier. Emphasising BMW's niche player status, von Kuenheim says that the "desired ceiling" is 550,000-600,000. "The main target is to be profitable." With that goal in mind, says von Kuenheim, "I do not think *that BMW will need any new manu*facturing facility this century."

So far at least, BMW's confidence seems justified. Its net profit last year rose 23 per cent to DM558.1m and by a further 8.3 per cent in the first half of the current year, despite the surging strength of the D-mark.

Among the most gratifying statistics *to* von Kuenheim and his colleagues was this year's record 30 per cent jump in first-half sales to one particular market: Japan.



A BMW 7-series: one has just been 'tailored' in bright yellow

Alcoa — share and share alike

Kenneth Gooding explains why the US group has introduced an unusual two-part dividend formula

As *economic activity* slows at an alarming rate throughout the industrialised world, many companies — particularly those in cyclical industries — will be taking a closer look at the "profit sharing dividend" scheme used by the Alumin*ium Company of America* (Alcoa), the world's biggest aluminium group.

The system involves shareholders being guaranteed four, quarterly base dividends of 40 cents a share and an additional *"profit-sharing" dividend:* 30 per cent of any profits over $6 a share.

This formula, adopted last year, means that Alcoa's base dividend need not bounce up and down as the group's earnings follow trends set by the volatile aluminium price.

Paul O'Neill, Alcoa's chairman and chief executive, says: "It was my idea and it's a great *idea*."

He points out that about half of Alcoa's 60,000 employees worldwide are now covered by some form of variable compensation related to corporate earnings. That has risen from *about five in 100 employees* since O'Neill took the helm at Alcoa three years ago.

He suggests that the profit-sharing dividend system "is a *logical approach to the way* rewards should be distributed. It ties together the workforce with the outside shareholders in that they have a base income and, when we do well, everyone — inside and outside — can tell the difference."

O'Neill reckons Alcoa can *earn $6 a share as long as the* primary aluminium price is 55 US cents a lb or better. Last year the average price was 88.5 cents and so far this year about 70 cents.

He has set Alcoa the target *of making at least a 15 per cent* return on equity over the economic cycle and no less than 10 per cent in any one year. "You must make this kind of return," he suggests, "otherwise you are going out of business."

But it represents a big jump from the average 9.7 per cent return on equity Alcoa made in the ten years before O'Neill's *arrival*.

It is too early to say whether the profit-sharing dividend system will work well. As far as O'Neill can tell, no other company has yet followed Alcoa's example. "But I met someone *recently who said he wished* his company had introduced it first. But because Alcoa did it first, his company would not be using it."

Business courses

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Paul Betts visits Aérospatiale's new assembly plant in Toulouse, where the Airbus A330 will be built

Battle of the 'big twins' heats up

The seconds are out in the multi-billion dollar contest between Boeing of the US and the European Airbus Industrie consortium for the new generation of "big twins" — the medium- to long-range twin engine widebody airliners expected to account for about *50 per cent of the commercial* aircraft market during the next 20 years.

Boeing this week clinched its first order for its new 777 aircraft from United Airlines and the company's board is expec*ted to launch formally* the $5bn (£2.5bn) development programme for the widebody 777 at the end of this month. A few days earlier, Aérospatiale, the French state-owned aerospace group, inaugurated with great pomp in Toulouse in *front of* 10,000 guests and President Mitterrand its state-of-the-art aircraft plant, where the rival of the 777, the new Airbus A330 "twin", will be assembled.

It is not just a marketing *contest between the US and* Europe. The so-called "battle of the big twins" is also turning into a technological contest with both Boeing and Airbus breaking new ground in civil aircraft construction and design in their efforts to achieve maximum commercial success. Boeing, as described on this page yesterday, is using computer-aided techniques for the entire design *of the* 777, which will also be offered for the first time with the option of folding wingtips.

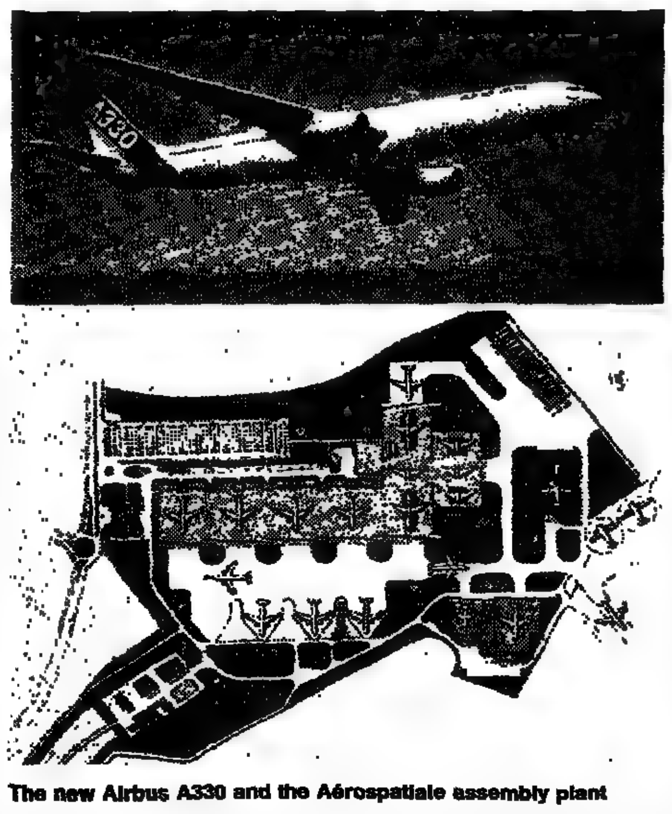
The new facility at Toulouse is Europe's answer to Boeing. "Our 20-year strategy has been *to gain a 30 per cent stake in* the civil aircraft market with our Airbus partners," said Jacques Plenier, head of Aérospatiale aircraft division, during a visit to the plant last week. To challenge the American dominance of the civil aircraft market, the Airbus strategy has been *to develop* a family of aircraft starting from scratch 20 *years ago*.

"In 1975 we were producing one Airbus a month. In 1985 we were making one a week. By 1995 we will be making one a day," Plenier explained. The new facility, he added, was the last stage in the investment process started two decades *ago. It will enable* the assembly of seven widebody aircraft a *month*, including both the Airbus A330 and its four-engine sister aircraft, the A340. With its latest aircraft, the Airbus partners are hoping to gain a 48 per cent share of the new widebody aircraft market.

The new facility is the largest aeronautical complex in Europe. The A330/A340 assembly hall is the size of nine rugby pitches and the height of the Statue of Liberty. Each of its doors are the equivalent of five tennis courts. The assem*bly hall alone cost* FFr1bn (£100m) to build. Overall, Aérospatiale has invested about FFr15bn for its share of the development programme of the new Airbus widebody family. Although not as huge as the *Boeing Everett facility*, where the 747 jumbos and the 767 twins are assembled, the new Toulouse complex introduces an innovative modular concept *in large aircraft assembly*.

This concept is already used by British Aérospace, a 20 per cent partner in the Airbus consortium, for the assembly at Hatfield of BAe's 146 regional jet. Aérospatiale has now *adapted this technique on* a grand scale at Toulouse.

A conventional line assembly process involves the stage-by-stage assembly of an aircraft moving down a straight line with *others* following it. *At the* new Toulouse facility, however, once the wings and the various fuselage sections have been joined together in two separate stages, each aircraft is placed in its own dock or station where it stays for *the rest of the final* assembly and testing process.



The new Airbus A330 and the Aérospatiale assembly plant

Aérospatiale says this makes the final assembly process much more flexible. It also helps to reduce the overall assembly cycle time by about 20-30 per cent compared with the traditional line assembly system. *"It means that if there* is a problem with one particular aircraft *on* the assembly line, the assembly of the aircraft following it will not be disrupted. Any delay on any one station will not have any effect on the other three stations," explained an Aérospatiale official.

In addition to the modular *assembly concept, Aérospatiale* has introduced robots to *assemble various parts of the* aircraft and to automate key *stages in the assembly process.*

The various parts are flown for final assembly at Toulouse by the four European partners including Aérospatiale, Deutsche Airbus controlled by Germany's Daimler-Benz group, BAe and Casa of Spain, in a big, ugly transport aircraft *called the Super Guppy*. A special hall has been constructed for unloading all the sub-assemblies brought by Super Guppy. This is equipped with a transborder and programmable overhead crane enabling more than 1,000 Super Guppy unloading operations to be performed each year by 1994.

Robots have been introduced *for the delicate operation of* joining up the wings to the centre *section* of the fuselage. This is the first stage of the assembly process. In all, *eight* computer controlled robots manipulate drilling and reaming machines once handled by operators to drill about 3,500 holes on the fuselage sides. The fasteners are then installed manually. Aérospatiale says this automation is *expected to reduce the production* cycle on this particular station by about 10 per cent.

Once the wings have been joined to the centre section of the fuselage, this sub-assembly is moved again by overhead crane and put on a transborder taking it to a waiting position before the next stage of the process. This means that work can continue at the robotised wing-fuselage join-up station.

The next stage involves involves the assembly of the *front and back fuselage* sections to the wing-centre section. The fin, the horizontal stabiliser, landing gear and engine pylons are also fitted to the aircraft at this stage.

The innovation at this phase *of the process is the use of* robots equipped with cameras which move on circular rails around the fuselage to sew the sections together. The robot drills the hole, injects a sealant and installs the fastener. Inside *the fuselage*, an operator crimps the fastener and commands the system *to instruct* the robot to drill the next hole.

The aircraft, which now has its complete shape, is moved again to one of the four individual docks or stations where it will remain for the rest of the assembly and testing process. Once this is completed it will be moved to a hall for customisation when the aircraft is fitted and decorated according *to the individual specifications* of airline customers.

Up to now, Airbus aircraft have been assembled by Aérospatiale at Toulouse and then flown to Deutsche Airbus in Hamburg where the customisa*tion process takes place as part* of the general work-sharing arrangement between the Airbus partners. However, after long and at times acrimonious negotiations, the Airbus partners bowed down to German *pressures to allow* Deutsche Airbus to take charge of the final assembly at Hamburg of the A321, the new stretched version of the best-selling A320 narrow-body twin-engine Airbus airliner.

Under the new arrangement, it was decided to combine both final assembly and customisation at one site for new Airbus aircraft programmes. The Germans would thus become responsible for both A321 final *assembly and customisation*, while Aérospatiale would become responsible for both operations for the A330/A340.

Airbus believes that the compromise finally reached with the Germans over the assembly of the new aircraft programmes will help enhance *the overall productivity of the* complex Airbus work-sharing production system by concentrating final assembly and customisation in one place.

Improved efficiency will clearly become a key for the longer *term* future of the European aircraft consortium: not only in its commercial battle against Boeing and McDonnell *Douglas* but in its own *efforts* to become an economically viable enterprise.

WORTH WATCHING

by Della Bradshaw

Little notebook packs a punch

MINIATURISATION is the name of the game in the personal computer industry. Lightweight, portable PCs represent the fastest-growing *segment of the market. Not* surprising, the smallest computers — the notebook-sized ones — are the hottest sellers of all, writes Louise Kehoe.

For leading US personal computer manufacturers the *notebook-sized computer* brings a significant competitive challenge from Japan's leading electronics companies, whose ability to shrink electronic products to pocket size is well established.

In a bid for leadership in this emerging market, Compaq Computer has launched a more powerful version of its notebook personal computer based upon the Intel 386SX microprocessor chip.

The Compaq LTE 386/20s is the highest performance *notebook PC available*, the company claims. It incorporates the features of a desktop computer in a 7.5 pound unit, including cache memory, VGA *graphics, floppy disk* drive and either a 60 Megabyte or a 30 Mbyte hard disk.

US prices are $6,999 and $6,499, depending upon hard disk capacity.

Compaq packs its 386LTE *into an 8.5 inch by 11in* package that will fit neatly into a briefcase. The 2.5in hard disk drives use "rigid flex" circuit board technology, a *defence industry* "spin-off".

Developed by Teledyne Electro-Mechanisms for applications such as the Cruise Missile Guidance Systems, rigid flex circuit boards incorporate areas of rigid and flex*ible materials in one continuous sheet. The flexible* sections *replace* bulky cables and connectors.

Another innovation in the *Compaq LTE 386s/20* is the chewing-gum pack sized power supply. Compaq's first portable computer, introduced in 1983, was powered by a unit the size of a paperback *book!*

Land of the rising plastic card

THE insatiable demand from the Japanese consumer for all things new is extending to plastic cards. *There will* be 21.1bn of them in use in Japan by 1992, *according to* Plastic Cards in Japan, a study from the Institute of Retail Studies at the Univer*sity of Stirling.*

Almost half of 21.1bn cards — a 15-fold increase on the 1988 figure — will be used for transactions in banks, *retail outlets, railways and* phone boxes.

Although the majority of cards today are magnetic stripe cards, where a pre-paid credit is deducted as the card is used, the smart card — a plastic card with a microchip embedded in it — is *beginning to increase its market share.*

● Aldershot and Farnborough are two of the first centres in the UK to benefit from *a card-operated parking system*. The "Easypark" service, as it is called, has been introduced in 10 car parks by the local Rushmoor Borough Council. The equipment to handle the pre-paid magnetic *cards, similar to phone cards*, has been made by FKI Godwin Warren, of Halifax.

Titanium springs bounce back

AFTER centuries of putting the bounce into a wide variety of machines, the humble spring is getting a facelift.

As defence components manufacturers become *increasingly interested in* non-military applications, *springs made from a number of exotic metals are now making their way on to the commercial market.*

The Leningrad Central Research Institute of Materials is now looking for partners to exploit its development in these types of up-market springs.

These include springs *made of niobium alloy*, which are heat resistant but very flexible; nickel springs which are heat and corrosion resistant; and titanium springs which are lightweight and do *not rust. As a result titanium* springs, although more expensive than steel ones, can increase the working life of equipment, particularly in *humid or corrosive conditions*, such as on oil rigs.

Looking out for a leased computer

EUROPEAN computer leasing companies are out to prevent *the abuse of their customers* and prevent them being duped into using stolen or illegally-obtained equipment.

The European Computer Leasing and Trading Association (Eclat) is setting up a *database to help chart the movement of all machines* that are leased, according to this week's Computer Weekly newspaper. The database should also help prevent unauthorised sub-leasing.

The association intends to gather information from both leasing companies and the big computer manufacturers, particularly IBM. Each machine to be leased would be given a registration number, and that number recorded with the name of the owner. When a prospective customer was considering leasing the machine, the *company could check who* the legal owner was.

BT's database has the number

BRITISH Telecom's decision to charge for directory inquiry services could be a cloud with a silver lining for telemarketing and sales companies *that need to find a large* number of phone numbers.

From next spring, when BT throws its inquiry database, companies with the appropriate equipment will be able to look up the numbers themselves. To help them do that more quickly, *Datapoint has launched a* computer system to search *the database.*

With Datapoint Enquirer the company will be able to instruct the computer — just by pressing two keys — to go away and automatically search the BT database for lists of missing numbers.

Contacts: Compaq: US, 713 370 0670. Institute for Retail Studies: UK, 0786 73171. FKI Godwin Warren: UK, 0422 882363. Leningrad Institute of Materials: Soviet Union, 812 278 9382. Eclat: UK, 021 745 6209. Datapoint: UK, 081 459 1222.

THE PROPERTY MARKET

The men from the Pru: Christopher Edwards, left, and Hugh Jenkins say there is a long-term commitment to property

A disheartening stance

By Vanessa Houlder

After the Crown and the Church, the Prudential is the biggest property owner in the land. Given the institutions' ability to make or break the property market, few organisations have more influence over the future of the industry.

For this reason, there was consternation in the industry when in January the Prudential sacked a third of the workforce in its property division and announced that there would be no new projects added to its development pipeline. Taken together with the fact that it has been an active seller of property – reducing the number of properties on its books from 2,500 to 1,700 over the past five years – it seemed that sentiment at the Prudential had swung heavily against property.

Worries that the Prudential intends to disinvest are, however, misplaced. Every penny resulting from last year's sales has gone into its development programme, which will cost it £700m over the next two years.

"In spite of some of the stories, we have a long-term commitment to property," says Mr Hugh Jenkins, the chief executive of the Prudential's investment arm who, as a qualified surveyor, has a background rooted in property investment.

The sales of the past few years have been partly a housekeeping exercise to get rid of smaller properties. "A degree of collecting had gone on," he says. "The average value was out of step with the portfolio."

As for the reduction in its workforce, these were partly a matter of cutting out layers of management and partly a matter of adjusting to the fewer properties and developments on its books. Experts from outside the organisation will be hired to deal with future peaks in activity.

For all that, the stance of the Prudential is overwhelmingly disheartening for the property industry. The Prudential has £5.2bn or 23 per cent of its portfolio devoted to property and it has no intention of increasing that percentage. Enough, it says, is enough.

The reason is simple. The Prudential thinks that equities are a better bet than property. "Equities are likely to continue to outperform particularly as property goes through a lean period over the next few years ... We have a top down approach to asset allocation. We have not got this pressure that we have to keep going in property," says Mr Jenkins.

In any case, it has become a developer in its own right and so has no compulsion to buy from other developers. Over the past 25 years the Prudential has, like other large institutions, progressed from being a passive investor in property, through financing developments, to doing its own. With its office projects at Minster Court and Holborn Bars, it is one of the most important developers in the City of London.

As a result, adjustments to its existing portfolio will be modest. It is considering an increase in its weighting in East Anglia, to acknowledge the region's growth. It is also looking at parts of the retail market, where it thinks yields are starting to harden, and potentially in the industrial sector, where it feels it is underweight. But, when seen in the context of its size, it is virtually withdrawing from the market.

If the Pru's attitude is shared by other institutions, the consequences for the industry are serious. Speculative developers have borrowed an estimated 30 per cent of the £37bn loaned by banks to property companies, on the blithe assumption that the institutions will be willing to buy the properties at the end of the day.

No dice, says the Prudential. "The institutional flow of funds is constant at £2m a year. There is an appetite for property. The problem came when developers created a demand for money that was a multiple of that. They manufactured their own appetite which did not recognise where the long-term demand was from," says Mr Christopher Edwards, a director of property fund management at Prudential Portfolio Managers.

Over-extended investment companies that used bank funds may find themselves in the same boat. "There is a huge amount of bank debt relating to properties acquired in the past three or four years, which mainly came from longer-term institutional portfolios," says Mr Edwards. "We sold them; we don't want them back."

Hopes that Spots and Pincs (financial instruments that would allow shares in single properties to be traded on the stock exchange) would rescue the market are naively premature, he says.

"It would be helpful to the industry as a whole if there was greater liquidity, which could come if more investors were attracted by the flexibility of Spots and Pincs," he reasons. "It is not beyond the realm of possibility that futures will be developed. But it will take a long time to get anywhere even if the enthusiasm is there."

The result, he speculates, may be a sea change in the property industry. If banks, rather than investors, are going to be the source of long-term finance for the property industry, the returns from property must be related to long-term debt.

It would be a throwback to a previous era in the property industry, according to Mr Jenkins. He harks back to 1965, when property development was conceived "on a factor of 10". Developers sought a 10 per cent return in order to get a 2 per cent margin after paying mortgage costs of 8 per cent.

This line of thinking changed when the cost of money increased. "Developers found they could not get a positive return so they turned themselves into traders," explains Mr Jenkins. "That was fine so long as institutional demand for the product matched supply. But now the development cycle is too big for institutional appetites. rents will have to match what is required to bring the development forward."

Implicit in this argument is short-term misery for much of the industry. Indeed, Mr Edwards shares the widespread view that there will be "blood on the street" for some of the developer traders.

None the less, the problems stemming from the buoyancy of the late 1980s are not comparable to the crash of the early 1970s, in the view of the Prudential. Unlike the 1970s, this surge was fuelled by tenant demand. It was also funded by top-ranking rather than secondary banks, with borrowings structured to ensure less exposure to floating rate debt. And although bank exposure to property is a concern, it now takes up 8 rather than 12 per cent of bank debt.

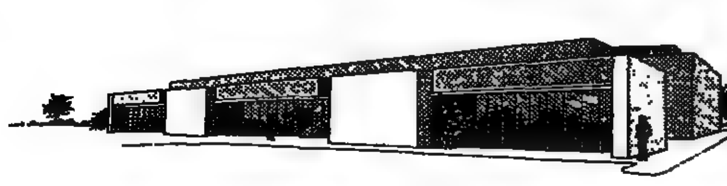
The result is that good property is not being dumped on the market. "I don't find we are being offered many jewels," says Mr Jenkins. By contrast, in the 1970s he bought a 3.1-acre site on Oxford Street from Land Securities. Vulture funds, he says, are finding it hard going. "They want to find diamonds in embers. They are much harder to find than people would have us believe."

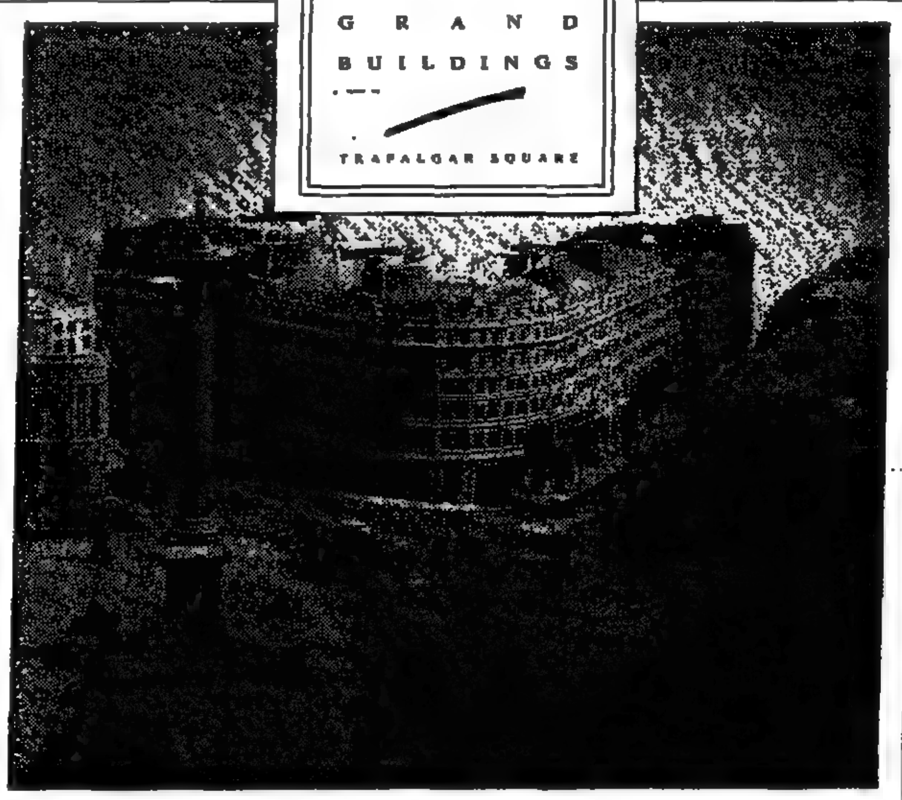
As a result, the Prudential is not out bargain hunting. "We are not interested in second-rate properties, however high-yielding," says Mr Jenkins. So what would tempt it to put more money into property? "The emergence of trophy investments at yields we could not refuse."

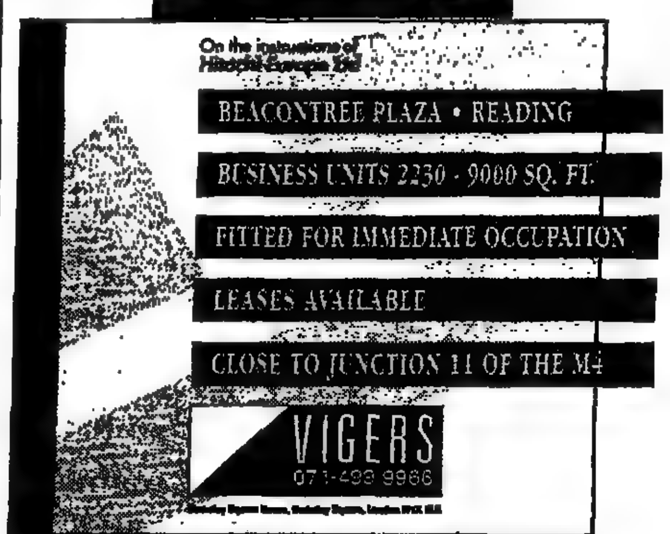
TOTAL RETURNS

	Retail	Office	Industrial	All Property
Year to Aug 90	-4.7	-0.7	5.1	-1.4
Quarter to Aug 90	-2.9	-3.8	-2.1	-3.1
Month of Aug 90	-1.4	-1.9	-0.2	-1.4

Source: Investment Property Databank







Richard Ellis

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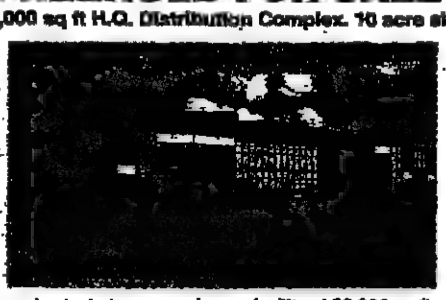

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ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
19	20	21	22	23	24	25

MUSIC

London

London Philharmonic conducted by Martin Fischer-Dieskau with Xue Wei as soloist perform Mendelssohn and Beethoven (Fri). Royal Festival Hall (928 8800).
Orchestra of the Age of Enlightenment conducted by Frans Brüggen in works by C.P.E. Bach, Haydn and Beethoven (Fri). Queen Elizabeth Hall (928 8800).
Grand Opera Gala: National Symphony Orchestra with soloists Kate Flowers, Andrew Martin, Stephen Page and the Pro Musica Chorus (Sat). Royal Festival Hall.
London Mozart Players conducted by Jane Glover in a concert that includes Schubert's 9th symphony (Sun). Royal Festival Hall.
BBC Symphony Orchestra conducted by Andrew Davies with Kyoko Takezawa (violin) perform works by Stravinsky, Prokofiev and Rachmaninov (Mon). Royal Festival Hall.
English Sinfonia conducted by Sir Charles Groves: a maritime extravaganza to celebrate the silver jubilee of a campaign to save the British coastline (Tue). Royal Festival Hall.
Maurizio Pollini (piano) plays Beethoven's 33 variations on a waltz by Diabelli and other works (Wed). Royal Festival Hall.

Paris

Nikita Magaloff, piano. Chopin (Mon). Salle Pleyel (45638873).
Quatuor Borodine. Borodin, Stravinsky, Brahms (Tue). Théâtredes Champs Elysées (47203637).
Orchestre Symphonique Français conducted by Laurent Petitgirard, Paul Tortelier, cello. Roussel, Tchaikovsky, Beethoven (Tue). Salle Pleyel (45638873).
Orchestre Philharmonique de Radio France conducted by Reinhard Peters, Joshua Bell, violin. Mendelssohn, Mozart, Haydn (Wed). Radio France, Grand Auditorium (42302308).
Ensemble Intercontemporain conducted by Peter Eotvos, Phyllis Bryn-Julson, soprano, Zoltan Kocsis, piano, King's Singers. Eotvos, *Ligeti, Kurtag (Wed)*. Théâtre des Champs Elysées (47203637).
Dietrich Fischer-Dieskau recital. Poems by Michelangelo, Goethe, Mörike set to music by Wolf (Wed). Salle Pleyel (45638873).
Orchestre National de France conducted by Emmanuel Krivine, Randolf Kelly, alto. Ives, Walton, Berlioz, Mendelssohn (Thur). Théâtre des Champs Elysées (47203637).
Orchestre de Paris conducted by Semyon Bychkov, Justus Frantz, piano. Mozart, Mahler (Thur). Salle Pleyel (45638873).

Frankfurt

Russian Radio Orchestra and pianist Mikhail Pletnev, conducted by Wladimir Fedoseyev. Tchaikovsky (Sat). Alte Oper.
Frankfurt's Opera and Museum Orchestra under Ulf Schirmer with Gilsha Ham (violin) play Beethoven, Korngold and Bruckner (Sun, Mon). Alte Oper.
European Symphony Orchestra and the Neubenern Choir with singers Pamela Coburn, Trudeliese Schmidt, Vinson Cole, conducted by Enoch Zuguttenberg. Verdi's Messa da Requiem (Sun). Alte Oper.
Julia Varady Lieder recital with pianist Elena Baschkirowa. With songs by Mozart and Strauss (Mon). Mozartsaal.
Royal Philharmonic Orchestra under Vladimir Ashkenazy with Shostakovitch, Debussy and Skriabin (Tues). Mozartsaal.
Vienna Philharmonic under Riccardo Muti with Mozart and Schubert (Wed). Mozartsaal.

Berlin

Leipzig Gewandhaus Orchestra *under Kurt Masur*. Brahms (Mon). Schauspielhaus.
Berlin Philharmonic Orchestra under Daniel Barenboim. Beethoven, Hoeller and Bruckner (Wed, Thur). Philharmonie.

Munich

Orchestra National de Bordeaux and tenor Jean-Luc Viala, conducted by Alain Lombard with the Prague Philharmonic Choir. Berlioz Requiem (Sat). Philharmonie im Gasteig.
Rudolf Buchbinder piano recital with works by Mozart, Brahms and Schumann (Sun). Prinzregententheater.
Vienna Philharmonic under Riccardo Muti. Beethoven, Brahms (Mon). Kongressaal des Deutschen Museums.

Amsterdam

Christian Bor (violin) and Rian de Waal (piano). Franck, Respighi (Mon). Concertgebouw (718 345).
Amsterdam Bach Soloists with Paul Verhey (flute), Thomas Hangelbrock conducting (Tue). Concertgebouw (718 345).
Royal Concertgebouw Orchestra with Ronald Brautigam (piano), Riccardo Chailly conducting. Schönberg, Ligeti, van Keulen, Varese (Thur). Concertgebouw (718 345).

Utrecht

Netherlands Chamber Orchestra and Choir with vocal soloists conducted by Hartmut Haenchen. Mozart, Webern, Schonberg (Wed). Vredenburg (31 45 44).
Choir and Baroque Orchestra of the Netherlands Bach Society conducted by Jos van Veldhoven with the world premiere of Bach's Kothener Trauer-Music as reconstructed by Jos van Veldhoven (Thur). Vredenburg (31 45 44).

Antwerp

Tatiana Nicolaeva (piano) plays works of Shostakovich. De Singel (Fri) (03-248 38 00).
Belgian Chamber Music Group conducted by Guido De Neve and Christel Kessels: works by D'Haene, Mortelmans, Swerts, Vellere, Ysaye (Tues).
BRT Chorus and Mol Percussion Ensemble conducted by Vic Nees performs works of Bartok, Stravinsky and Van Hove (Thur). De Singel (03-248 38 00).
Royal Flanders Opera Symphony Orchestra conducted by Rudolf Werthen with the Flying Pickets and the Alan Parsons Project plays popular works of Bernstein, Bizet, Ravel, Rossini and Tchaikovsky (Thur). Sportpaleis (03-235 45 44).

Brussels

Royal Flanders Philharmonic conducted by Gunter Neuhold with Miriam Fried (violin). Beethoven and Prokofiev (Fri). Palais des Beaux-Arts.
RTBF Symphony Orchestra conducted by André Vandernoot with Wolfgang Manz (piano). Bartok, Brahms, Von Rossum (Fri). Maison de la Radio.
The Monnaie Quartet with Tatiana Babut du Mares (flute) and Maxence Pilchen (piano) (Fri). Royal Music Conservatory (4277584).
The Prague String Quartet with *Miriam van Dixhourn (viola)* and Leona Francombe (piano). Brahms, Dvorak, Mozart (Sun). Palais des Beaux-Arts.
Paul Badura-Skoda (piano) plays Martin, Mozart and Schubert (Sun) Chateau de Modave (041223248).

Madrid

Spanish National Orchestra and Choir, RTVE Choir and Baso Choir, conducted by Sergiu Comissiona. Schoenberg *(Fri). Auditorio* Nacional de Musica (337 01 00).
Prague Chamber Orchestra. Dvorak, Martinu, Vivaldi, Haydn (Tues). Auditorio Nacional de Musica (337 01 00).
Reina Sofia Chamber Orchestra conducted by Nicolas Chumachenco (also violin). J.S. Bach, Bartok (Thur). Auditorio Nacional de Musica (337 01 00).
USSR Symphony Orchestra conducted by Yevgeny Svetlanov, with Andrei Jorsakov (violin). Rimsky-Korsakov, Glazunov, Rachmaninov (Thur). Auditorio Nacional de Musica (337 01 00).

Barcelona

Orquestra Ciutat de Barcelona and Sant Esteve del Conservatorio de Vilaseca choir, conducted by Luis A. Garcia Navarro. Montsalvatge, Rachmaninov, Holst (Sat, Sun). Palau de la Musica Catalana (268 10 00).
Prague Chamber Orchestra with Joan Enric Lluna (clarinet). Mozart, Dvorak, Haydn (Sun). Palau de la Musica Catalana (268 10 00).

Bologna

Academy of St Martin in the Fields with conductor and solo violin Iona Brown playing Vivaldi, Handel and Mozart (Mon), also Jia Lu conducting Beethoven and Max Reger (Wed, Thur). Teatro Comunale (529999).

Rome

Richard Stoltzman (clarinet), Lucy Stoltzman (violin) and Derek Han playing Milhaud, Poulenc, Fauré, Mozart and Stravinsky (Thur). Teatro Olimpico (393304).

New York

Jessye Norman soprano recital. Mixed programme (Mon). Carnegie Hall (247 7400).
New York Philharmonic conducted by Leonard Slatkin with Glenn Dicterow (piano). Beethoven, Shostakovich (Tue); Erich Leinsdorf conducting, with Alicia De Larrocha (piano). Avery Fisher Hall, Lincoln Center (874 6770).
Japan Philharmonic conducted by Ken-ichiro Kobayashi with Ikuyo Nakaminci (piano). Takemitsu, Beethoven, Tchaikovsky (Wed). Avery Fisher Hall, Lincoln Center (874 6770).
New York Philomusica conducted by *Robert Johnson. Hamilton*, Harbison, Schubert (Thur). Merkin Hall (362 8719).

Washington

Japan Philharmonic conducted by Ken-ichiro Kobayashi with Ikuyo Nakamincl (piano). Takemitsu, Gray, Tchaikovsky (Tue). Concert Hall, Kennedy Center (467 4600).
Leningrad Philharmonic conducted by Yuri Temirkanov with Dmitri Alexeen (piano). Prokofiev, Tchaikovsky (Thur). Concert Hall, Kennedy Center (467 4600).

Chicago

Chicago Symphony Orchestra conducted by Michael Morgan. Still, Strauss, Diamond, Dvorak (Tue); Lorin Maazel conducting with Fraqnk Peter Zimmermann (violin) and the women of the Chicgo Symphony Chorus. Holst, Prokofiev, Shchedrin (Thur). Orchestra Hall (435 3322).

Tokyo

Tokyo Metropolitan Symphony Orchestra, conducted by Yuzoh Toyama. Music by the contemporary Japanese composer, Hikaru Hayashi. Suntory Hall. (Tues, 505 1010).
NHK Symphony Orchestra, conducted by Ferdinand Leitner, with *Josef Suk (violin), Michaela* Fukacova (cello). Brahms, Haydn, Mozart. NHK Hall. (Wed, Thurs, 465 1781).
Stuttgart Radio Symphony Orchestra, conducted by Gianluigi Gelmetti, with Salvatore Accardo (violin). Mendelssohn, Beethoven. Suntory Hall. (Wed, 505 1010).

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition has opened in London. Burlington House, Piccadilly (287 9579).
Hayward Gallery. Eduardo Chillida. Major retrospective of the Spanish sculptor (261 0127).

Paris

Musée Marmottan. Goya. Monet's museum plays host to four cycles of 218 engravings by Goya on loan from the Fundacion Juan Marcha. 2, rue Louis-Boilly. Closed Mon (42240702).
Galerie Maurice Garnier. Bernard Buffet – La Bretagne. In his unmistakable spiky handwriting, the painter beloved by the Japanese, pays homage to Brittany's ports and beaches. 6, ave Matignon (42256165). Closed Sun, Mon and lunchtimes.
Musée des Arts Decoratifs. Panoramic wallpapers. If a wealthy French bourgeois of the 19th century felt the need for changein his comfortable but somewhat boring life, a panoramic decor covering the walls of his salon would instantly transport him to an exotic scene. 107, Rue de Rivoli (42603214), closed Mon, *Tue. Ends January 21.*
Grand Palais. Biennale Internationale des Antiquaires. Under the sign of Love in Art, 150 antique dealers, both French and foreign, cover a wide range of periods and styles and present their prestigious exhibits in a *mise en scene* evoking the splendour of the 18th century. Ends October 7.
Louvre. Euphronios. Some 60 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Open all days from 12 am to 10 pm, except Tuesdays. Ends Dec 31 (40205166).
Galerie du Carrousel. 19th century French masters. There are some remarkable small bronzes by Degas and Daumier, there are two or three oils and drawings by the Ecole de Barbizon, precursors of the impressionists. 11, quai voltaire (42611076). Closed Sun and Mon.
Grand Palais. Picasso. An exhibition of 47 paintings, two sculptures, 40 drawings, 24 sketchbooks, 19 ceramics and 247 engravings and lithographs which have come to enrich, in lieu of death duties, the French national collections. The exhibition begins with the blue period and ends with the obsessive erotic works of Picasso's last 10 years. Closed Tue, Wed late closing, ends January 14.
Galerie d'Art Saint Honoré. The Magic of Flemish Art. Paintings assembled by Monika Kruch are of such remarkable quality, that the visitor is enchanted by the softness of blue velvet and the pulpous texture of fruit in Jansz de Heem's still life. 267, rue Saint-Honoré. Closed Sat, Sun: ends November 30 (42601503).

Martigny

Fondation Pierre Gianadda. Modigliani. Some 50 oils, as many drawings and some sculptures form an important retrospective of the Italian-born artist living at the beginning of the century in the feverish atmosphere of Montparnasse and Montmartre. (26 223978).

Brussels

Musée d'Ixelles. L'Impressionisme et le Fauvisme en Belgique is a major exhibition of Belgian painting from the 1880s to the 1920s. The finest show seen in Brussels for some time. Closed Mondays, ends December 16.
Galerie de la CGER. The Belgian Dynasty and Belgium's cultural Development. Daily.
Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 200 Paleontological exhibits. Daily ends Dec 30.
Musée d'Art Moderne, Place Royale. The Goldschmidt Collection of modern paintings recently left to the museum is on view in its entirety for the first time. Works by Braque, Chagall, Hockney, Klee, Miro and others. Closed Monday.
Musées Royaux d'Art et d'Histoire. *Inca-Peru an exhibition* that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Monday, ends December 31.

Madrid

Fundacion Juan March. Cars, Andy Warhol's unfinished series ofcar drawings and paintings, commissioned by Daimler-Benz on the centenary of the invention of the automobile, are now on view on loan from Daimler-Benz in Stuttgart. Ends January.
Museo Espanol de Arte Contemporaneo. Domestic Scenes. Everydayimages of life in Spanish homes seen through the works of a wide range of top rate artists over a 500-year period. Ends December 9.

Barcelona

Museo Picasso. Homage to Jacqueline – between 1954 and 1970 Jacqueline Roque was a constant source of inspiration for Pablo Picasso, they married in 1958. The exhibition brings together some 150 works in an important retrospective of the last 20 years of Picasso's artistic life and a homage to his favourite model. Ends January.
Fundacion Miro. Joseph Beuys. Some 130 drawings on the theme oforiental philosophy in an interchange with the Keftner Gesellschaft in Hanover. Closed Mondays. Ends November 18.

Rome

Palazzo Degli Esposizioni: Norman Rockwell. Oils, watercolours and sketches from the years 1915 to 1972 by a remarkable artist, who for over 40 years designed the front cover for the high-circulation Saturday Evening Post (over 3m copies in the early 1950s), whose name has become synonymous with an ultra-realistic style mixed with nostalgia. Ends November 11.

Venice

Palazzo Grassi. From Van Gogh to Picasso – from Kandinsky to Pollock. This exhibition provides a truly delightful canter through modern art from the late 1870s onwards. Included in the group of paintings lent by the Guggenheim in New York are 32 works from the remarkable Thannhauser collection, none of which have been back to *Europe since they were* bequeathed to the museum in 1940.
Ends December 9.

Bologna

Pinacoteca Nazionale. Giuseppe Maria Crespi (1665-1747). Over 100 works by a late-flowering baroque painter, born in Bologna, whose works are now considered on a par with his distinguished predecessor, Guido Reni. Ends November 10.

Düsseldorf

Kunstmuseum, Ehrenhof 5. Conrad Felixmueller. Around 80 paintings, 80 watercolours, drawings, 40 prints as well as five plastics by the expressionist painter are on display until October 23.
Augsburg, Kunstverein, Toskanische Saeulenhalle, Zeugplatz 4. Around 100 paintings, lithographs, engravings by the Spanish painter Antoni Taepies, born in 1923, covering the last 10 years are to be seen until November 11.

Dresden

Albertinum, Georg-Treu-Platz 1. Some 350 works by 170 artists who were expelled by East Germany during 1949-1989. Among the artists are Georg Baselitz, Gotthard Graupner, Bernhard Heiliger, Gerhard Richter, Günther Uecker and Rolf Szymanski. Ends December 2.

Hanover

Sprengel Museum. Kaethe Kollwitz (1867-1945). Eleven plastics, 70 paintings 70 prints of the politically radical artist are to be seen until October 28.

Essen

Museum Folkwang: Vincent Van Gogh and Modern Art. On the 100th anniversary of Van Gogh's death, this exhibition aims to display his influence on European modern art. With 50 of his own paintings and 120 by other artists it shows his impact on art in the period 1880-1914. The exhibition moves to Amsterdam in Nov. Ends Nov 4. Goethestrasse 414300, Essen 1.
Villa Huegel 15. St Petersburg around 1800. With 555 pieces on loan from Leningrad's state Hermitage Museum, the exhibition details the developments of Russia from a great empire to a European power. St Petersburg was the residence of Peter the Great and acted as an intermediary between east and west.

Berlin

Martin-Gropius-Bau, Stresemannstrasse 110. Bismarck's Prussia, Germany and Europe. Otto von Bismarck, born 175 years ago in Schoenhausen, was the German Imperial Chancellor and Prussia's premier before he was sacked by the young Kaiser Wilhelm II 100 years ago. The current political changes in Europe, particularly in East *Germany, underline the* importance of this exhibition, which also attempts to explain what happened after the revolution of 1848. Until November 25.

New York

Brooklyn Museum. From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter. Ends Jan 6.
Metropolitan Museum. Mexican art from pre-Columbian handicrafts to modern murals.

Washington

National Gallery. Artistic dividends of the end of the cold war continue with a comprehensive show of Suprematist Kasimir Malevich and his Soviet contemporaries with works never before lent by the Soviet Union. Ends Nov 4.

Chicago

Art Institute. One of Chicago's most noted contemporary artists returns home when Ed Paschke's travelling exhibit, which first appeared at the Pompidou Centre last year, arrives with 47 of the painter's day-glo portraits and landscapes.
Art Institute. The Russian Taste for French Painting is a tribute to the cultural impact of improved Soviet-American relations with its French masterpieces borrowed from the Hermitage and Pushkin Museums.

Tokyo

Hara Museum. Hara Annual 10. Since its establishment 10 years ago, this museum has held an annual show of young and emerging Japanese artists – a good opportunity to observe new developments and directions in Japanese art. Opens September 25.
National Museum. Masterpieces of Japanese Art. This selection of 250 major works includes rarely seen pieces from the Shosoin Treasurehouse in Nara, the Horyuji Temple, the Imperial Household collection and elsewhere. Closed Mondays.
National Museum of Western Art. William Blake. 200 idiosyncratic works by the English revolutionary, visionary, poet and painter. Part of the UK 90 Festival. Closed Mondays.

THEATRE

London

Jeffrey Bernard is Unwell (Apollo). James Bolam is the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs. (437 2663).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn (839 5972).
Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119).
Man of the Moment (Globe) Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipula*tion (437 3667).*
Into the Woods (Phoenix) Stephen Sondheim musical based on the darker side of the Grimm fairy tales has moved over from New York to a receptive audience (071 867 1044).
Kean (Old Vic). Derek Jacobi in fine form in Jean-Paul Sartre's play about the flamboyant 19th-century actor. Directed by Sam Mendes (071 928 7616).
Loveletters (Wyndham's). Stars Robert Wagner and Stephanie Powers read out letters tracing a fifty-year love affair. Written by AR Gurney and directed by John Tillinger (071 876 116).
Miss Saigon (Drury Lane). The musical by Alain Boubil and Claude-Michel Schonberg continues to pack them in. Directed by Nicholas Hytner (071 836 8108).
Moscow Gold (Barbican). Tariq Ali and Howard Brenton team up again after the success of their short play, Arabian Nights, *in defence of Salman Rushdie.* Moscow Gold is a satirical look at Soviet history and the Gorbachev years in particular. It is the last play the Royal Shakespeare Company is putting on at the Barbican for several months because of financial difficulties. In rep; check press for nights (071 638 8891).
Singer (Barbican). Anthony Sher in Peter Flannery's modern Jacobean tragedy that reflects a darkly comic view of Britain since the Second World War. In rep; check press (638 8891).

New York

Falsettoland (Lucille Lortel). It will be known as the musical about Aids first hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).
Grand Hotel (Martin Beck). *Tommy Tune, Broadway's* present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).
Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).
Gypsy (St James). This 30th anniversary production is a reminder of the heyday of the American *musical with memorable* tune after memorable tune, as well as a forceful plot about the ambitious stage mother who encourages her daughter even into burlesque (246 0102).

Chicago

The Iceman Cometh (Goodman). The Goodman opens its new season with a revival of vintage O'Neill starring film actor Brian Dennehy. Ends Nov 4 (443 3800).

Tokyo

Kabuki. Kabuki-za (541 3131) this month features two actors who have attracted new audiences to kabuki. The star of the 11am show, Ennosuke, specialises in quick-change routines and spectacular stage effects. At 4.30pm the gifted *onnagata* (specialist in female roles), Tamasaburo, stars in a love story about a priest and a geisha. *Meanwhile, at the National Thea*tre (265 7411), the rarely-performed *Kagamiyama Sai Issafuji* is being given (performance times vary).
The English Shakespeare Company, paying a return visit to the theatre they opened two years ago, this time as part of the UK 90 Festival. Michael Pennington leads the cast in *Coriolanus* and *The Winter's Tale* (in repertory). Tokyo Globe Theatre (360 1151).
Fiddler on the Roof (in English). Topol once again takes the lead role in the musical that made him famous 20 years ago. Kan'i Hoken Hall, Gotanda (477 7625).

CONTRACTS & TENDERS

CHERWELL DISTRICT COUNCIL TENDER FOR BANKING SERVICES 1991 TO 1994

The council is seeking to obtain competitive quotations for a full range of banking services for the three years commencing April 1991.

Any Bank which is able to supply a full clearing service and is a settlement member of Bacs Ltd is invited to apply for a copy of the tender document.

To receive a copy of the tender document please write to:

Chief Financial Officer
Cherwell District Council
P.O. Box 27
Banbury
Oxon OX15 4BH

By Monday 29th October 1990.

The closing date for the return of completed tenders will be Friday 23rd November 1990.

Signed A.M. Brace FCIS FBIM.
Chief Executive 12.10.1990.

COMPANY NOTICES

THE UNION COLD STORAGE OF SOUTH AFRICA LIMITED
(Incorporated in South Africa)
Reg. No. 02/01313/06

NOTICE IS HEREBY GIVEN that Dividend No. 42 of 70 cents per share has been declared payable to shareholders registered in the books of the company at the close of business on 2 November 1990.
Warrants in payment will be posted on or about 22 November 1990.
Payment from the London office will be made in U.K. currency at the rate of exchange at which the dividend funds are remitted to London on 6 November 1990.
Non-Resident Shareholders' Tax at the rate of 15% will be deducted where applicable. Dividends paid in London to persons resident in Great Britain or N. Ireland will be subject to deduction of U.K. Income Tax at a rate to be arrived at after allowing for relief in respect of overseas taxation.

BY ORDER OF THE BOARD
AFC INVESTMENTS LIMITED.
London Secretaries.
per : R.S. Brunt

London Office:
36 Princes Gate Mews,
LONDON SW7 2PR
19 October 1990.

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ARTS

The Vanishing Bridegroom

THEATRE ROYAL, GLASGOW

Judith Weir's second full-length opera, of which Scottish Opera gave the première (sponsored by Amerada Hess Ltd) on Wednesday, is a dazzling achievement. It is short (without interval its three parts last a total of 90 minutes) yet substantial, expertly fashioned, endlessly witty, and above all full of music delightful on first hearing that cries out for a second.

As in her first full-length opera, the immensely successful *Night at the Chinese Opera*, Weir has created a multi-layered entertainment. *The Vanishing Bridegroom* is an act of pithy story-telling (of several stories, actually, subtly interwoven) within which there is deposited a highly sophisticated and strangely disturbing set of reflexions about the frailties of human nature.

Perhaps the greatest distinction of both operas – apart from their fastidious finish of their workmanship and the sheer elegance and beauty of their sound-worlds – is the wryly detached stance adopted by their composer-librettist. Weir's works invite audience pleasure, and also (if it so chooses) audience thoughtfulness; she never preaches or uses brute force to grab attention. Her tone of voice is clear, cool, and devastatingly unsentimental; for a composer in her mid-30s her command of lyric theatre is awesomely mature.

Fittingly, since this is a work written by a Scottish composer for a Scottish opera company (on commission from Glasgow District Council), *The Vanishing Bridegroom* occupies itself with Scottish subject matter. Weir drew from two sets of folk tales – *Popular Tales of the West Highlands* (1860) and *Carmina Gadelica* (1900) – her raw material of three self-contained stories. In "The Inheritance" the youngest of three sons is foiled in his theft of a hidden legacy; in "The Disappearance" a young husband is abducted by fairies, and returned only years later; in "The Stranger" a young girl resists the charms of the devil.

With immense skill she has linked them: characters from one are retained in another, and out of three disparate fables there is formed a network of shared destinies set against a bleak yet enchanted landscape. What attracted the composer to these tales is, she writes, the "severity and bareness" of their language contrasted with the "supernatural and fantastic" events they portray. There is nothing picturesquely tourist-Gaelic, nothing whimsical, about this opera. Its approach is not unlike that of Chagall (whose "Cow with Parasol" adorns the programme) or Isaac Bashevis Singer in his short stories: tales of human passions (and the inexplicable happenings associated therewith) from the pre-Freudian world which nevertheless speak to us with absolute directness.

The jump-cut, fast-moving imagery thrown up by the many-stranded manner of story-telling makes the libretto at once distinctively modern and timeless. Weir's musical language, with its light-fingered infusions of tonality, its lapidary Stravinskyan sections and pungent colour-contrasts, its cell-like rhythmic units and long-spanned instrumental and vocal lines, enriches it with finely judged gradations of dramatic momentum.

As in *The Chinese Opera*, an opera shaped by precise yet "filtered" evocations of Chinese folk music, *The Vanishing Bridegroom* derives its particular musical impact from Weir's involvement with Scottish folk-musical forms and timbres (ballads and refrains, hymns for male- and female-voice choirs, kirk chants deliciously parodied, reels, fiddle skirls). These lie, indeed, at the heart of the opera's formal shape, and account for its peculiar beauty and distinctness of sound. Each of the three parts has its own own set of identifying colouristic and rhythmic fingerprints; that the opera as a whole hangs together is asserted by the way it moves forward – fast, and with its own extraordinarily sure gait.

It demands, and from Scottish Opera has inspired, a production of tautest ensemble playing. This is by the Second Stride choreographer Ian Spink, in the designs of Richard Hudson, whose *Chinese Opera* stage-box full of everyday props and shapes surrealistically strewn is here redeployed to brilliant and memorable effect. The Spink-Hudson mixture of modern (neon lights, harsh textures and colours) and timeless, of cinematic speed and once-upon-a-time enchantment, is not, one feels sure, the only approach to this opera; but of its kind – and apart from moments of clutter in Part 1 – it is hard to imagine bettered.

The main characters are shared between five superbly agile, confidently musical singing-actors – the soprano Virginia Kerr (a full, shining voice generously used), the mezzo Elizabeth McCormack, the tenor Harry Nicoll, and the baritones Peter Snipp and Robert Poulton – supported by the Scottish Opera Chorus and Orchestra in tremendous form under Alan Hacker.

The Vanishing Bridegroom is being given a single performance (between *Les Troyens*) during the company's visit to Covent Garden in December. Head for the box-office now.

Max Loppert

Virginia Kerr as the Bride

Other People's Money

LYRIC THEATRE

Jerry Sterner headed a real estate firm before he gave it up to take to playwriting. *Other People's Money* is his second work to be staged so far. Perhaps he is still developing, for although this is not a very satisfactory play, it does contain one good idea.

This has little directly to do with asset-stripping, greenmail and the rest of the Wall Street jargon that provide the background. It is the battle of the sexists.

There is a rather sleepy odds and sods engineering company in Rhode Island with a particular weakness in its wire and cable division. The company has not paid any taxes for years, but that is because it hasn't made any money. Enter Lawrence Garfinkle, sometimes known on Wall Street as Larry the Liquidator, who is buying the shares and thus forcing up the price. Sometimes he operates through a company called OPM, standing for other people's money. The question is how to stop him.

One of the employees (she seems to double as company secretary and errand lady for the doughnuts) has a daughter who is a rather smart lawyer with Morgan Stanley.

This is Kate, played by Maria Aitken. Kate is called in to help, but is reluctant to do so when she finds the company refusing to accept modern Wall Street methods. She rises to the challenge, however, because Garfinkle is a "blatant sexist". So, by the way, is she.

Most of the play's best moments consist of exchanges between these two people. Some of them are pretty raw: verbal sexual abuse rather than sexual banter.

There should be another good scene, but it fails quite to come off. This is when Garfinkle's bid goes to the shareholders' meeting. The company president, played by William Coles, makes a speech about the value of the firm to the Rhode Island community, how it will take off again when the value of the dollar and the yen are right and the US starts building the infrastructure the country deserves. The play is littered with references to Harry Truman who is plainly the president's hero.

Then Garfinkle speaks. "Steel used to be an industry; now heavy metal is a rock group." The best way to go broke, he says, is to go on getting an increasing share of a shrinking market, which is precisely what has been happening to the wire and cable division. Garfinkle wins.

We learn that afterwards the assets are stripped, Kate becomes his partner, then his wife. They have twins: a little bull and a little bear.

There is nothing wrong with Martin Shaw's performance as Garfinkle. The problem is that the play is written in clichés. For example: "You are playing monopoly with people's lives" or "There's more to a business than the price of its stock". With lines like that, it is not surprising that *Other People's Money* hardly comes to life.

The play is directed by Alan Strachan.

Malcolm Rutherford

Moses and Aaron

NEW YORK CITY OPERA

New York waited long for a production of Schoenberg's great opera. Sarah Caldwell staged it in Boston in 1966. Solti has conducted a Carnegie concert performance. James Levine, who conducted the 1987 Ponnelle production in Salzburg, hoped to do it at the Met. It arrives now at the New York City Opera, conducted by Christopher Keene, in a performance that is arresting, noble, and more accomplished in execution than one had dared to hope. A triumph.

Schoenberg's choral writing is famously taxing, but the chorus had mastered it. All the roles – the small but important short parts and the two big titular parts – were confidently and vividly presented. The orchestral playing was secure, beautiful, eloquent. *Moses und Aron* in its first New York production seems no longer a "problem" opera but, quite simply, a rich, great, engrossing opera.

The production, by Hans Neugebauer, designed by Achim Freyer, and lit by Hans Toelstede, is a version of Cologne's in 1978, later taken up in Frankfurt. It made sense to import a staging of proven merit, within which the American singers could work with confidence. Freyer's sets and costumes and Toelstede's lights are monochrome – a dry hot-desert yellow, but capable of subtle and on occasion startling variation – until at the unveiling of Golden Calf a warmly voluptuous deep-red softens and floods the stage, while the Calf gleams in magical polychrome.

The staging is lean and spare, with precisely calculated movement in beautiful settings of Euclidean precision. Aaron's "miracles" are viewed as if through Moses's disillusioned eyes. At Covent Garden, a staff hurled to the ground turned magically into a serpent; on the City Opera stage, Aaron pops Moses's walking-stick out of sight and draws out a small rubber snake – and instead of marvelling, we listen.

This is an example of a clean-cut European style that at its best is very satisfactory and striking. Wieland Wagner's productions at Bayreuth are an ancestor; before him, those of Appia, Gordon Craig, Erwin Piscator. There have been examples by Graham Vick in St. Louis, by Nicholas Hytner in Houston, but it comes new to Zeffirelli-glutted New York.

There are some modish touches, to be sure: the naked light bulb and the obligatory wheelchair (but reasonably enough here, since it bears the crippled woman who is cured by the Calf) make their appearance; copulating couples slide down a kiddies' playground chute into the orgy. But most of the production is sure, strong, and inspired.

Richard Cross's Moses is sonorous, imposing, poignant. He has presence. (The piece is done in German, in which language Moses's slow,emphatic, rhythmically notated declamation rings out more musically than it can in English translation.) Thomas Young as Aaron is incisive, clever,clear – more lyrical than Helmet Krebs in the premiere and than any Aaron I have heard since. With this *Moses*, the City Opera regains its reputation as a place of serious musical and dramatic endeavour. One sees people like Elliott Carter in the audience.

At the Met, Carlos Kleiber has conducted a *Rosenkavalier* revival. Watching him in action was a delight, and so was the playing that he drew from the orchestra, except when the brasses and drums became obstreperous. On stage,things were less happy. The old production has long since renounced any pretensions to possible aristocratic – or retainer – conduct.

Felicity Lott, in her Met debut, was a pallid Marschallin – vocally swallowed by the huge house, never commanding it, and, while not insensitive, not interesting either. Anne Sophie von Otter, a punky Octavian, was audible, but she slighted the text. Barbara Bonney's Sophie, unhappily attired, looked and sometimes sounded older than the Marschallin. Aage Haugland's Ochs was, well, confident. As Annina, Sarah Walker waltzed wildly around the stage, stopping at times to give someone a great jolly poke in the ribs. Such fun!

My companion – over here for a Hofmannsthal conference – confessed that his expectations sank early, at the antics assigned to the Three Noble Orphans. Is Carlos Kleiber a cynic, resigned to coarse modern staging and easy acclaim, content if he secures a refined instrumental performance? His father, whose *Rosenkavalier* performances at Covent Garden in the early fifties are unforgotten by anyone of my age, cared about, fussed over, every detail, musical and visual, of an operatic presentation; and with casts less eminent than the Met's he achieved a truer full picture of Strauss's and Hofmannsthal's delicate, precise opera.

Andrew Porter

Jazz stars in London

Stanley Jordan, Sonny Rollins, Oscar Peterson and Dizzy Gillespie are among the leading jazz artists due to perform in London within the forthcoming months.

Guitarist Jordan appears at London's Town and Country Club on October 23. Tenor-saxophonist Rollins plays with his group at the Royal Festival Hall on October 27. Peterson is also at the Festival Hall (with his trio) on November 19. Dizzy Gillespie and the United Nation Orchestra plays the Barbican Centre on October 28.

BBC Symphony

ROYAL FESTIVAL HALL

The look of the BBC Symphony's South Bank season suggests a conscious promotion of British music, new and old. There is a generous sprinkling of commissions to come, while Wednesday's concert conducted by Andrew Davis included two from the past, one very recent, the other harking back to early Glock days.

Scenes and Arias was Nicholas Maw's stylistic epiphany, the work from 1963 that made possible everything he has achieved since. The coincidence of its revival less than a week after the Birmingham performance of his *Odyssey* pointed up, not so much how far Maw has travelled but how he has built upon that breakthrough piece. In the sensuous vocal lines of *Scenes and Arias* late romanticism seems elided with a Britten-like expressive clarity, the score is shot-through with echoes of *Peter Grimes* yet with an ecstatic charge that takes it off into another expressive world altogether. Subsequent pieces right up to *Odyssey* may have put symphonic flesh on that creative voice, but nothing Maw has done since is quite so fresh.

Davis and the BBC Symphony played it superbly, with rich, compelling textures and the trio of female voices – Judith Howarth, Ameral Gunson and Linda Finnie – lusciously entwined. The orchestra went on to give an adroit British première to John Woolrich's *The Ghost in the Machine*, which was first heard on their Japanese tour earlier in the year. Only the title is borrowed from Arthur Koestler; otherwise it belongs in the line of Woolrich's mechanistic pieces, in which musical clockworks are set up to collide and elide. The connecting thread here is a plainchant-like melody, heard first from six unison horns (a conscious nod to Mahler) and eventually running through all parts of the orchestra while the clock tick and chatter around it. The form is straightforward, the surfaces lucid, and the ending nicely enigmatic.

The evening had begun with the Sea Interludes from *Peter Grimes*, dedicated to the memory of Leonard Bernstein. Among all the events in that highly eventful life it is easily forgotten that Bernstein conducted the American première of *Grimes*, at Tanglewood in 1946. Davis's account took a while to settle down: gradually the focus tightened, and the BBCSO found their best form; the Storm was furious, brutal, the kind of go-for-broke treatment that Bernstein himself would surely have favoured.

Andrew Clements

Anne-Sophie Mutter

BARBICAN HALL

The name of Anne-Sophie Mutter looms large on the posters for this series of concerts at the Barbican, in which she will play a solo recital, chamber music and concertos over the weekend. It was entirely fitting, however, that the first programme on Wednesday should allow a prominent place to Witold Lutoslawski, with whose music the violinist has made her most positive contribution so far to the 20th century repertoire.

Perhaps, like Rostropovich, she will prove to be the instigator of many new works. The start has certainly been promising and this evening opened with two pieces by Lutoslawski, on each of which Mutter has been a formative influence: *Partita* and *Chain 2*, the one arranged and the other specifically written for her. To link them the composer has now added a purely orchestral Interlude, which here received its first London performance.

Although only one year separates the two works in origin, they are subtly different in style. *Partita* is outgoing and formally strong. Then follows the new Interlude, a central oasis of peace, made up of becalmed string chords and the mirage of a tolling bell or horn call, heard from afar. And from there it is but a short step back into *Chain 2*, which returns to the *Partita's* swift thinking, but with the ideas now more terse, the musical landscape changing more quickly.

Put together, the two works plus Interlude add up to 50 minutes of music. Whether they are shown to best advantage in harness, I am not at all sure. The component parts seem too many and too short; the music is not arranged so as to lead the mind surely on its long musical journey. But it seems ungenerous to complain when Lutoslawski has given us so much beautiful, sensitive, haunting music and Anne-Sophie Mutter, under his direction, plays it so wonderfully. It is difficult to imagine any other soloist matching her potent combination of assurance and expressivity.

In the second half of the concert Mutter and the London *Symphony Orchestra*, now much reduced, were joined by the viola-player Bruno Giuranna for a performance of Mozart's much-loved Sinfonia Concertante. The most notable feature here was Mutter's opening statement in the Andante, where the tone was at once darkly subdued and yet pulsating with near-romantic expression. No doubt we shall hear more of that over the weekend.

Richard Fairman

Laurie Booth

RIVERSIDE STUDIOS

Before the lights dim in Riverside's auditorium, drums rattle and boom from every direction, establishing certain aural boundaries. Then, against the studio's brick wall, the figures of Laurie Booth and Russell Maliphant appear, grey and gauzily clad in what look like ghosts' exercise suits. And we enter upon the 60 minutes of movement that explores the sound and the setting, flaring and dying down, passing from one man to the other, uniting and separating them, which is the matter of Booth's *Spatial Decay II*.

This is a development of an earlier piece which I reviewed with great pleasure in January. It then had a cast of four. Now refined as an exchange and interplay of action which holds these two exceptional dancers in a web of physical and emotional relationships, it is a more rewarding and daring piece. Daring, chiefly, because it relies upon improvisation as choreographic source, and improvisation is a dangerous, because unpredictable, theatrical trick. In the hands – on the finely-matched bodies and temperaments – of Booth and Maliphant on Tuesday night, it showed all those merits that its aficionados claim for it. Dance is raw, fresh, sharp, and surprising. It is evident that the two performers have sketched and planned guiding ideas that provide the armature of the piece. The rewards come from the timing and exactness of rapport which will find the pair stating a pose or a phrase, then developing it between themselves in a physical conversation which feeds on the awareness that each has of the other – in trusting moments, in challenges, in sudden odd flashes of humour.

Both men are very gifted. Booth's speed – a gesture fast, moving with oiled muscular ease – and his moments of contemplative calm, are everywhere answered by Maliphant's superb control, his power to hold a phrase off balance, to give action that particular refinement which can only come from ballet training. (He was for several years a notably good soloist with the Sadler's Wells Royal Ballet.) The result is a creation which – even in those rare moments when the inventive temperature seems to drop – holds the eye. The bodies curve and unfold, as the men's mutual awareness shapes long lines of activity that link them, responding to the excellent lighting and the quirks of Hans Peter Kuhn's sound installation. It is a subtle and potent achievement by both performers.

Clement Crisp

SALEROOM

Picasso's pots in demand

Picasso, the pot maker, lived long under the shadow of Picasso, the picture and print maker. In recent years potential collectors who could not afford to buy one of his artworks have shown interest in his ceramics, and yesterday at Christie's an auction of over 100 items, largely devoted to ceramics, did exceptionally well, totalling £657,734, with only 5 per cent unsold. This is in contrast to the current demand for his pictures.

The top price was the £66,000 paid for a lot containing three items, two gold medallions decorated by Picasso and a pen and ink drawing on paper. More exceptional was the £44,000 paid for "Tripode", a cheerful jug in blue, black and white, one of an edition of 75. It sold well above forecast. "Tête d'Homme barbu", a classical tile which had been damaged but was unique, sold on target at £38,500 and "Bacchante", a golden animalistic dancer, one of an edition of six, realised £22,000. The auction showed no falling away in demand for Picasso ceramics.

Sotheby's followed on yesterday afternoon with many Picasso items included in its ceramics and glass auction. A unique plate "Visage" sold well at £60,500 and another unique plate, "Oiseau sur fond bleu", doubled its forecast at £50,600, as did "Oiseau mangeant un ver", which made £55,000.

Basically collectors are regarding ceramics – which were copies of an original design by Picasso, with the mould destroyed after completion of the run – in the tradition of Picasso prints. Viewed this way prices are not outrageous. This is a section of the 20th century art market which has survived the recession fairly well.

On Wednesday night Bonhams also sold ceramics by Picasso and Jean Cocteau, with Picasso faring much the better. The auction totalled £403,000, with 24 per cent unsold, but only three of the 60 Picasso ceramics failed to sell. Top price was the £14,300 for "Visage de Profil", one of 150.

A more predictable snapshot of demand was provided at Sotheby's contemporary auction which totalled £1.95m but with 45 per cent unsold. Demand is very selective and there were few bidders for the School of Paris, Poliakoff and his ilk. But Lucian Freud remains in demand and "Rabbit on a chair", a pencil drawing of 1944, was bought by the London dealer James Kirkman for £93,500, as against a top estimate of £20,000. Black scrawls on a yellow, black, and blue background by Hans Hartung did well at £170,000.

Antony Thorncroft

BBC SO celebrates its 60th season

The BBC Symphony Orchestra is celebrating its 60th anniversary with celebratory concerts, new commissions and a Henze festival at the Barbican next January.

The season opens at the Royal Festival Hall with five celebratory concerts, all conducted by Andrew Davies and all containing works either premiered or introduced to this country by the orchestra, with a range of soloists – opening with Dame Gwyneth Jones singing Schoenberg's *Erwartung* and Nigel Kennedy playing the Berg Violin Concerto on October 8. The final concert will be a performance of Sir Michael Tippett's *The Mask of Time*.

ARTS GUIDE

October 19-25

OPERA AND BALLET

London

Royal Opera, Covent Garden: Verdi's *Attila* receives a first-rate new production at Covent Garden. Edward Downes conducts superbly, the production by Elijah Moshinsky is bold and striking, and Ruggero Raimondi, Josephine Barstow, Dennis O'Neill and Giorgio Zancanaro sing with fiery eloquence: strongly recommended. Final performance of the dismal new production of *Siegfried*, latest instalment in the Götz Friedrich "time-tunnel" production of Wagner's Ring. Bernard Haitink's conducting is the saving grace, as is the singing of René Kollo, James Morris, Gwyneth Jones and Ekkehard Wlaschiha (071 240 1066).

English National Opera, Coliseum. Revival of the award-winning 1986 production by David Pountney of Busoni's *Dr Faust*, conducted by Antony Beaumont, with Alan Opie, Graham Clark, and Helen Field in leading roles. More performances of *The Magic Flute* in Nicholas Hytner's fresh and uncluttered production; final one of the cogent, boldly Expressionist new production of *Wozzeck*, staged by Pountney, with Donald Maxwell in the title role. Dance. The Royal Ballet season opens at Covent Garden with Kenneth MacMillan's staging of *The Prince of the Pagodas* set to a score by Benjamin Britten (Fri, Tues and then in rep).

Paris

Salle Garnier. Last two days of soirées: Serge Lifar with Suite en Blanc, Icare, Romeo and Juliette, Mirages (47425371).

Chatelet. Ballet Frankfurt in William Forsythe choreography juggling with theatrical illusions to Thom Willems music presents Limb's Theorem. (40282840).

Amsterdam

Muziektheater. The National Ballet with *Under My Feet* (Van Dantzig/Schat), *Pyrrhic Dances II* (Van Schayk) and a new ballet by Jan Linkens. The Netherlands Opera in Mozart's *Entführung aus dem Serail*, directed by Helmut Polixa. Netherlands Chamber Orchestra is conducted by Hartmut Haenchen, with Jurg Low as Selim, Sally Wolf as Constanze and Bruce Ford as Belmonte (255 455).

The Hague

AT&T Danstheater. Netherlands Dans Theater in *La Cathédrale engloutie* (Kylian/Debussy) and the world premieres of new ballets by Philip Taylor and Jean-Christophe Maillot (360 4930).

Madrid

Scala Ballet Company with duo Oriella Dorella and Laurent Hilaire in *Giselle*, with the original Benois sets, conducted by Michel Sasson (Tue, Wed), and with Carla Fracci as Giselle and Zoltan Solymosi as Albrecht (Thur). Teatro alla Scala (809126).

Bologna

Teatro Communale's autumn ballet season is Rudolf Nureyev and Friends, with works by choreographers Flemming Flindt, Maurice Béjart, Jose Limon, the 19th century master August Bournonville and Rudolf himself. Palazzo dei Congressi (6435111).

Florence

Messina's ballet, *Vincent Van Gogh*, performed by the Maggio Danza Company. Teatro della Compagnia. (2779236).

Trieste

Franco Giraldi's production of Mozart's *Don Giovanni*, with sets by Josef Svoboda, conducted by Wolfgang Rennert. Teatro Verdi (631948).

Pisa

Paisello's *Barbiere di Siviglia* conducted by Alessandro Pinzauti, with Luccetta Bizzi, Ernesto Palacio and Marcello Lippi. Teatro Verdi (542434).

Rome

The ISO (I'm so optimistic) Dance Theater of New York with their first full-length work, *Time Out*: rather too long, but with splendid lighting effects by John Tomlinson and the usual energetic and attractive performances from the now five-strong group, led by the charismatic Daniel Ezralow. Teatro *Olimpico*. (Fri, Sat and Sun) (393304).

Berlin

Opera. *Lohengrin* in Götz Friedrich's production has a strong cast led by Ruthild Enger, Eva Johansson, Andreas Schmidt, Jan-Henrik Rootering and Peter Seiffert. *Arabella* stars Lucia Popp in the title role. *Madame Butterfly* features Olivia Stapp, Marcia Bellamy and John Sandor. *Fidelio* in Jean-Pierre Ponnelle's production is well sung by Janis Martin, Carol Malone, Julien Robbins, William Dooley and Victor von Halem. *Katja Kabanova* brings Patricia Johnson, Karan Armstrong, Ruthild Engert, Camille Capasso and Tomislav Neralic together.

Hamburg

Opera. *Carmen* convinces thanks to Alicia Nafe outstanding in the title role, Angela Maria Blasi, Michael Sylvester and Harald Stamm. *Die Zauberflöte* returns with a new cast led by Amanda Halgrimson, Dawn Upshaw, Robert Gambill and Franz Ferdinand Nentwig. *Elektra* highlights the week with two Strauss specialists Eva Randova as Klytemnestra and Gwyneth Jones in the title role. Two John Neumeier ballets and a Gustav Mahler programme round off the week.

Frankfurt

Opera. Guest appearance of the Tokyo Frand Kabuki theatre with traditional dance and songs. The controversial Arie Zinger production of *Aufstieg und Fall der Stadt Mahagonny*, has Michal Shamir, William Pell, Glenys Linos, Valentin Jar, Ruben Broitman and Yaron Windmueller. *La Bohème* in Volker Schloendorff's production features Eliane Coelho, Hildegard Heichele, Alejandro Ramirez and Albert Orinaldi.

Bonn

Opera. The successful Graham Vick *Rigoletto* production has a first-rate cast led by Dano Raffanti, Ingvar Wixell, Mariella Devia, Stephen Dupont.

Cologne

Opera. *La Finta Giardinera* is well performed by Hilary Griffiths, Teresa Ringholz, Janice Hall, John la Pierre and Jake Gardner. *Orfeo ed Eurydice* is wonderful sung by Kathleen Kuhlmann and Jungae Ше in the leading roles.

Munich

Opera. The successful Nicolaus Lehnhoff *Ring* cycle includes this week: *Das Rheingold* with Marjana Lipovsek, Nadine Secunde, Robert Hale. *Die Walküre* with Sabine Hass, Hildegard Behrens, Manfred Schunk, Martti Salminen, and *Siegfried* with Rene Kollo, Julie Kaufmann and Hildegard Behrens, all conducted by Wolfgang Sawallisch. Cilea's *Adriana Lecouvreur* stars Margaret Price, Bruna Baglioni, Neil Shicoff and Claes H. Ahnsjoe. Also the Ballet *Cinderella*.

New York

Metropolitan Opera. James Levine conducts the premiere of Piero Faggioni's production of *Un Ballo in Maschera* with Aprile Millo, Luciano Pavarotti and Juan Pons. *Boris Godunov*, conducted by Yevgeny Svetlanov, features Stefania Toczyska, Gary Lakes and John Shirley-Quirk in August Everding's production. *Guido Ajmone-Marsan conducts Rigoletto*, with Jerry Hadley in Otto Schenk's production. (362 6000).

New York City Opera. John Lehmeyer's production of *Martha*, conducted by Arthur Fagen, features Sheryl Woods as Lady Harriet Durham, Martin Thompson as Lionel and Dean Peterson as Plunkett. Schoenberg's *Moses und Aron* is conducted by Christopher Keene in Hans Neugebauer's production with Richard Cross and Thomas Young in the title roles. The week also includes *La Fanciulla del West* in Frank Corsaro's production conducted by Arthur Fugen and Scott Ellis's production of Sondheim's *A Little Night Music*. New York State Theatre, Lincoln Center (870 5570).

Washington

Monnaie Dance Group. Mark Morris brings his exciting dance troupe to Washington with one local premiere among his familiar repertory. Eisenhower, Kennedy Center (467 4600).

Chicago

Lyric Opera. Harold Prince's production of *The Girl of the Golden West* premieres, conducted by Bruno Bartoletti, with Marilyn Zchau as Minnie and Placido Domingo as Dick Johnson. Wolfgang Brendel has the title role in *Eugene Onegin*, conducted by Bruno Bartoletti in Pier Luigi Samaritani's production, with Anna Tomowa-Sintow as Tatiana and Gosta Winbergh as Lensky. Civic Opera House (332 2244).

Tokyo

Deutsche Staatsoper, East Berlin. *Der Rosenkavalier*. Tokyo Bunka Kaikan (235 1661).

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A speech for a new era

THE Mansion House speech may be about to move from what Bagehot called the efficient to the dignified part of the constitution. It has been the occasion for the Chancellor of the Exchequer to inform the dignitaries of the City about the details of monetary policy. But since the decision to enter the exchange rate mechanism of the European Monetary System two weeks ago, this has become a rather uninteresting question. Monetary policy will now be devoted to keeping sterling within its ERM bands.

In any case, yesterday's speech could not rival the impact of the announcement of just two weeks ago. The decisions to join the ERM and cut base rate by one percentage point have been by far the most important changes in monetary policy of Mr Major's period as Chancellor. Indeed, they have been the only significant changes.

Thus the Chancellor's speech was bound to be an anticlimax. But it could serve as an occasion for exegesis. Accordingly, he avoided such arcana as funding and concentrated on the reasons for entering the ERM when he did and on the implications of that decision.

Mr Major's formulation of the case for entry – that "inflationary pressures were on the way down" – is a long way from the prior condition of inflationary convergence. But it was defensible. If entry into the ERM has the effect of putting downward pressure on short-term interest rates, as some expect, it is desirable to enter when that pressure works in the direction in which domestic economic conditions suggest they should go.

Dominant target

In defending his twin decision, to enter the ERM and cut base rate, the Chancellor makes much of the fact that "for some time now, the messages coming from both broad and narrow money have been the same". This is ironical. The exchange rate can now safely become the dominant target of monetary policy, says Mr Major, because the targets it is pushing into second place can at last be relied upon.

Despite that assertion of confidence in the monetary indicators, the base rate cut is questionable. ERM entry looks too much like the price paid for cutting interest rates at the first plausible opportunity. The monetary indicators were, indeed, turning down, but in all other respects inflationary pressures still look alarming. Yesterday's announcement of a 10¼ per cent annual increase in underlying earnings merely underlines the point.

Clear pressure

The Chancellor also insists that he "does not agree with those who argue that the ERM will bring benefits in the short term and then have long-term costs. Precisely the reverse is true." That ERM entry will impose pressure on many firms is clear. As the Chancellor reminds businessmen, "keeping our costs in line with, or lower than, those elsewhere in the Community is now essential". To the extent that they fail, the economy will suffer.

What had been assumed, however, as is implicit in the Chancellor's own defence of the timing of ERM entry, was that this move would at least allow lower interest rates in the medium term. That may prove true, but it need not do so. Sterling has already fallen by 10 pfennig from its post-entry peak and is now at its central rate of DM2.95. With monetary policy dedicated to maintaining the parity, the nightmare of interest rate increases cannot be ruled out.

By announcing that he is considering an Ecu bond issue, the Chancellor is at least increasing the costs to the Treasury of a depreciation and so making it a little less likely. This is welcome, as is the commitment to a balanced budget in the medium term. But the latter does not rule out substantial funding in the short term. Those Ecu bonds may arrive quite soon.

ERM entry is a tough discipline and may prove an unpredictable one. It means the subordination of monetary policy to an exchange rate target that will become still more exacting when sterling moves into a narrower band. At that stage the Chancellor should take the whole process to its logical conclusion and hand the management of monetary policy to the Bank of England, where it now properly belongs.

Auditing the auditor

IT WAS Sir Derek Alun-Jones, then chairman of Ferranti, who observed last year that the general ability to rely on audited accounts was fundamental to the conduct of business in the UK. He spoke as one who had seen Ferranti come close to collapse after the purchase of International Signal & Control (ISC), whose accounts provided a singularly misleading picture of the real state of affairs before the company was acquired by Ferranti.

Since Sir Derek told shareholders about the consequences of undetected fraud at ISC, a number of other chairmen, including Sir Peter Thompson at British & Commonwealth, have had good reason to feel serious misgivings about the usefulness of an unqualified audit report. Disillusionment is widespread. And it seems questionable whether things will change very much following the application this week by Britain's three chartered accountancy institutes to become recognised supervisory bodies under the Companies Act 1989.

In making their application to the government the accountancy bodies will spell out how, for the first time, they intend to monitor the 10,000 professional firms that carry out statutory audits. Under the new proposals the 250 firms which audit virtually all Britain's listed companies will be visited by inspectors once every five years. Of the great majority of firms that audit only private companies, a random sample of 150 will be visited each year. The institutes envisage making a further 100 visits a year in response to complaints.

Undoubted advance

This is undoubtedly an advance on a situation where auditors were only marginally accountable. But the inspectors, appointed by the professional bodies themselves, will number no more than 40; and that figure includes 18 existing inspectors who are already scrutinising the activities of fellow accountants under the monitoring provisions of the Financial Services Act. This is not the kind of discipline that will make the barons of the big accounting firms lose much sleep. Nor does it seem well designed to satisfy a government that chose to introduce a monitoring requirement that went far beyond the European Community's Eighth Directive; implementation of the directive was one of the main purposes of the 1989 act.

Central question

Such monitoring anyway fails to address the central question, which relates to the independence of the auditor. The responsibility for preparing true and fair accounts lies primarily with the directors. Yet those same directors appoint their own watchdogs, the auditors, and fix their remuneration. The auditor is thus in an invidious position. He is from time to time required to bite the hand that feeds him on behalf of the anonymous owners of the company with whom he has no direct contact. And since the client may also dispense lucrative tax and consultancy fees, the exercise of independent judgment is likely to be doubly painful.

This conflict of interest helps explain countless questionable judgments made by auditors over the past two decades – though not, of course, those of determined fraudsters against whom no system can be foolproof. Yet the profession's response to successive scandals has been to retreat into more detailed rule making, in the form of accounting and auditing standards, instead of seeking to strengthen the quality of professional judgments by bolstering the auditor's independence. To make matters worse the House of Lords ruled in the recent Caparo case that the auditor's duty to anyone other than the existing shareholders is so limited as to be close to meaninglessness.

The remedy must ultimately lie in prising the auditor away from the managerial camp so that the interests of the owners are more directly served. In the absence of two-tier boards, or some other form of corporate governance that gives an enhanced voice to shareholders, this is far from easy. But the time has come to shift the emphasis of the debate on to the more important issue – and for the big investment institutions to play a part in the debate commensurate with their responsibility.

The budget crisis has thrown the Republicans into disarray, writes Peter Riddell

Bush presidency under a cloud

President George Bush would be much happier if he could concentrate on foreign affairs. As he recently confessed: "When you get a problem with the complexities that the Gulf has now, I enjoy trying to put the coalition together and keeping it together. I can't say I just rejoice every time I go up and talk to (House Ways and Means chairman) Danny Rostenkowski, my dear friend, about what he's going to do on taxes."

Unfortunately for Mr Bush, being president means having to deal with taxes. His indecisiveness over the US budget during the past three weeks has landed him in serious political trouble. While the immediate budget crisis will probably be patched over during the next few days, there will be a lasting impact. His approval rating in the polls has already fallen sharply (down from the mid 70s in mid-August to between 55 and 60 per cent now), his own Republican party is bitterly divided and its prospects in the November 6 mid-term elections have been threatened.

The budget fiasco has coincided with increasing worries about US economic prospects. The dollar has fallen sharply, there are doubts about the health of many banks and the economy has turned down in the north-east. Whether the economy as a whole is contracting is secondary to the view of nearly 60 per cent of voters that the US is now in a recession.

Comparisons are being made between Mr Bush and former presidents Herbert Hoover and Jimmy Carter, who both went down to heavy defeat after one four-year term. There is talk of a national malaise; 79 per cent think the country is "pretty seriously on the wrong track", the most negative result since the oil crisis of the mid-1970s. Parallels are being drawn between the US and the Soviet Union as fellow superpowers in decline because of internal problems.

The true position is serious but not dangerous. The events of the past three weeks reflect the inherent tendency of a constitution with separation of powers to delay decisions until the last minute, compounded by the particular problems of divided party control and the character of this president. There have been several previous budget cliffhangers, but this is more protracted.

The current crisis has been waiting to happen since Mr Bush took office. He was inaugurated in January 1989 with the lowest representation of his own party in Congress of any incoming president. The result has been compromise and procrastination, the "slide-by" budget of last autumn with its illusory deficit cuts. Little has been achieved.

Moreover, attention was focused on the end of the Cold War, the transformation of central Europe and the end of more than a decade of bitter controversy over central America. Mr Bush was active in assisting these changes. Even now roughly two-thirds of the American electorate think Mr Bush is doing a good job handling foreign policy, double his favourable rating on the economy and the budget.

Yet the budget problem is now too large to be deferred or fudged. Estimates of the deficit for fiscal 1991, which started on October 1, have risen threefold since last January to nearly $300bn. Although Washington policymakers may accept that the Federal deficit and a lower level of personal savings were at the heart of the US's economic problems, the American public does not. For most of the 1980s the prevailing philosophy, accepted by Mr Bush, was that deficits do not really matter.

His change of heart – talking two weeks ago of the deficit as "a cancer gnawing at our nation's health" – was too late to be convincing. Moreover, his "no new taxes" pledge was not only disbelieved by most voters; it also delayed an attempt to tackle the problem. Even when he abandoned his pledge, the Democratic leadership of Congress was still wary of being castigated for seeking higher taxes.

So the last-minute deal on September 30 backfired. Each concession was a loss for a particular interest group. General promises about the benefits of deficit reduction and possible cuts in interest rates were less real than the definite threat of increased costs for the elderly of Medicare health provision. The careful compromises of the negotiating table unravelled, Mr Bush's nationally televised appeal flopped and a majority of both parties in the House rejected the deal.

In contrast with Mr Reagan in the early 1980s, who succeeded in dividing the House Democrats in order to pass his initial tax-cutting budgets, Mr Bush has succeeded in dividing his own House Republicans.

Yet the current mess has arisen not just because Mr Bush has failed to be persuasive or to adopt a consistent line on taxes. The American public has blamed Congress as much. Voters have regarded their legislators as only interested in getting re-elected and cementing their relations with financial contributors. Dependence on constant fund-raising and fears of negative television advertising by a challenger make legislators reluctant to back unpopular causes. Almost every House member in a closely fought race and every House member challenging for a Senate seat or a governorship opposed the original budget agreement.

How all this plays out on November 6 is still unclear. The Democrats believe they have the Republicans on the run, both because of the economic downturn and because they have identified Mr Bush with the interests of the wealthy. Most House Democrats rallied round a "fairness" package, soaking the rich. But this plan would also hit most ordinary taxpayers. It is possible that the Democrats have overreached themselves and given Mr Bush the chance to counter-attack against "tax-and-spend" Democrats. Mr David Broder, the Washington Post's veteran columnist, quotes the belief of local Democrats that ordinary voters are angry about the taxes they pay themselves, not those other people do not pay. He talks of the "sad reality that a great many white Americans are far less hostile to the rich and their tax breaks than they are to the poor and minorities with their welfare and affirmative action programmes". That is why Mr Bush can contemplate vetoing a civil rights bill which he argues would involve employment quotas for minorities. He may alienate black leaders, but not the much larger number of whites.

The Republicans have so far been on the defensive. Unlike the 1980s, they lack issues defining them from the Democrats. Anti-communism stirs few and opposing abortion has proved a potential vote loser. Now, with the president backing increases in indirect taxes, even the tax-cutting plank of Reaganism has been blurred. Mr Bush always sounds unconvincing when he tries to attack the "inside the beltway" Washington establishment, as he did this week. Yet even now his reduced approval rating is at the high end of the range for the mid-term of a presidency.

The current fashion is to talk of an anti-incumbent mood among voters. But there is often a sharp distinction between dissatisfaction with Congress as an institution – reflected in proposals to limit the length of a time a legislator can serve – and continued support for a particular congressman in an individual local district. Less than a tenth of all House members are reckoned to be in competitive contests. The Democrats expect a small advance on their already strong position in the House. In the Senate, the Republicans were hoping for a gain of two or three seats on their present 45 – against 55 for the Democrats – to provide a springboard for an attempt in the presidential year of 1992 to win back the control lost in 1986.

The message of the elections may be blurred at a congressional level – though possibly with greater surprises in state contests. Mr Bush will be relieved if there is no great setback. His best hope is that, with a budget agreement in place offering the hope of a declining deficit, and with Congress in recess, he will have a chance to regain the initiative.

His chances of re-election depend on the state of the economy and on the outcome of the Gulf crisis. The extent of any downturn is obviously uncertain, but the timing in relation to the 1992 election is tight. On the Gulf, Mr Bush retains majority support. But some of the early enthusiasm of the American public for Mr Bush's large-scale commitment of troops to Saudi Arabia has worn off. Moreover, there is widespread resentment that other countries, especially Germany and Japan, are not doing more. Mr Bush will have to build support if he wants to commit American troops and risk large-scale casualties.

Sorting out the budget remains the key, not only to an early cut in interest rates but also, more fundamentally, to whether the Federal government can take action both at home and abroad. Mr Bush made the link in his address to Congress nearly six weeks ago: "Our ability to function effectively as a great power abroad depends on how we conduct ourselves at home. To revitalise our leadership capacity, we must address our budget deficit." But as one senior US official conceded: "We are making a spectacle of ourselves. We have handled the budget in a messy and unimpressive way."

BUDGET SCHEDULE

January 29. Bush proposes budget to cut deficit by $37bn to $63bn in fiscal 1991.
May 1-2. House passes plan to cut deficit by $35.5bn; Senate approves package with $43bn cuts.
May 9. Bush and congressional leaders agree to start budget talks without preconditions.
June 26. Bush drops 'no new taxes' campaign pledge and admits need for tax revenue increases.
July 16. Administration estimates that fiscal 1991 deficit likely to be $169bn without action, up $68bn from January, and $232bn if savings and loan rescue included.
August 1. Talks break off without agreement.
September 7. Talks resume and last 10 days; no deal.
September 30. After 11 days of talks, bipartisan agreement announced to cut 1991 deficit by $40bn from new estimate of $294bn, and by $500bn over five years,
October 1. Fiscal 1991 begins.
October 2. Bush makes nationally televised address to support package.
October 5. House overwhelmingly rejects package. Government runs out of money.
October 7-9. House and Senate pass outline plan and stopgap spending measure lasting until midnight tonight.
October 16-18. House and Senate approve differing plans.

No satisfaction over tax burden

At the heart of the US budget crisis, holding up talks all year and now preoccupying Congress, is a debate about the tax system.

Under President Reagan, the Republicans presented themselves as the party of tax cuts. This was never entirely consistent in practice. The personal tax burden now is about the same as during the 1970s. Yet the two main tax packages of 1981 and 1986 transformed the US tax system, to the benefit of the better-off.

The first opened up a cornucopia of tax shelters for property developers, while the latter removed many of these breaks while sharply cutting tax rates. Over the decade the top marginal rate fell from 70 to 28 per cent.

However, this left a number of anomalies. After the 1986 act, capital gains were taxed as income which represented an increase in the Capital Gains Tax rate compared with 1981. Moreover, the so-called bubble was created whereby upper-middle-income taxpayers – married couples with joint incomes of between $78,000 and $186,000 – paid a top marginal rate of 33 per cent, while those above that band paid 28 per cent.

One of President Bush's few precise pledges in his 1988 campaign and in his inaugural speech was to cut CGT so as to encourage enterprise. As a result, this has become a symbol for supply-side Republicans of their commitment to continuing the tax-cutting drive.

But Democrats have argued in the name of fairness that such a cut would disproportionately benefit the better-off and should be offset by an increase in the top marginal rate by, for example, eliminating the bubble.

Much of this year's debate has been about how to balance these concerns. Mr Bush at one point suggested a 31 per cent top marginal rate in return for a 15 per cent CGT tax rate. Democrats have suggested larger increases in the former and smaller cuts in the latter biased towards middle-income taxpayers.

The most likely result is a compromise satisfying neither side, which increases income taxes on the better-off to a limited extent and raises indirect taxes on all.

Peter Riddell

Rohatyn bows out

■ Felix Rohatyn left the New York city rescue business yesterday, issuing dire warnings of "financial, economic and even social disaster".

The only problem for the flamboyant chairman of the Municipal Assistance Corporation – the watchdog agency that was founded during the last city fiscal crisis 15 years ago – is that nobody in the Big Apple seems to care that he is resigning.

Rohatyn, a socially ambitious habitue of New York, has of late been snubbed by Mayor David Dinkins, attacked by the city's trade unions, and generally portrayed as being more interested in his own ego than in solving the city's woes.

Yesterday the bushy-eyebrowed senior partner of Lazard Freres vented his spleen in an interview with The New York Times, claiming that people are angry with him for his prominence.

He lamented that people are saying dreadful things, such as, "Who the hell are you to tell us this. You're just wishing for a crisis so you can be back on the front page of the New York Times."

Beneath a large photo of the pensive pundit, Rohatyn went on to reveal what really irks him: the inability to be powerful in an East Side restaurant. He spoke with nostalgia of the "crazy days" when "we were running the city from a table at Elaine's".

Still chilly

■ What has New Zealand got to offer Russia in terms of economic lessons?

Not a lot, it seems, judging by the frosty reply by the Russian ambassador to suggestions that his country has been poaching New Zealand innovations.

The Cold War may be over in most parts of the world. But it lives on in New Zealand.

OBSERVER

Allegations that New Zealand's economic secrets are being passed to Moscow via the country's highest-ranking union leader, the president of the Combined Trade Unions Ken Douglas, have just rebounded on the Opposition National party leader, Jim Bolger.

"What economic secrets?" the New Zealanders and the Russians are asking each other.

It is Bolger's first gaffe in an otherwise faultless election campaign.

As he struggles to extricate himself from the furore he seems surprised at suggestions he is, in effect, accusing Douglas of treason.

Prime Minister Mike Moore had given Douglas a briefing on the country's economic problems when negotiating the union accord, under which trade unions agreed to accept a maximum pay increase of only 2 per cent, with anything extra linked to increased productivity.

Bolger claims this information, which was denied to him, was passed to Russia by Douglas, who is an avowed communist.

The Soviet ambassador in Wellington, Boris Krotkov, has told Bolger, "Stop this Cold War nonsense. It is irresponsible. The war is over."

Krotkov also remarks pertinently that, given the state of the NZ economy, he does not think Russia would benefit very much from any details about it.

Deterrent

■ Which reminds me of the Wollongong cannon.

This handsome set of artillery pieces was sent out by the British War Department to defend the coal port of Wollongong, south of Sydney, Australia, from the threat of Russian invasion.

". . . and the Education Minister lived happily for a time".

The cannon arrived in the 1880s and, given the urgency of the project, within 15 years they were set up and pointed out over the blue Pacific.

When I questioned their usefulness during a visit a couple of years ago a local woman rose up in indignation. . . "Well, they've worked, haven't they", she shrieked.

Jumpers

■ Without even breaking into a smile the Health and Safety Executive has announced it is considering how best to regulate bungee jumping.

For the benefit of the uninitiated, the executive kindly provides the following definition: "Bungee jumping is an activity originally promoted in New Zealand. The participant (jumper) is secured by ankle harness to a cable made of multi-looped strands of natural rubber, bound together with the same material (a bungee), and jumps from heights of between 100 to 300 ft.

"The fall is arrested by the extension of the bungee through its elasticity, and the jumper then bounces back a number of times.

"The activity is either carried out over water or land, in the latter case an air bag is provided."

Regulation of the noble art will be carried out in conjunction with local authorities. They are responsible for enforcing the Health and Safety at Work Act at premises where jumping may take place.

The sport could provide a dry run for City speculators who are measuring up their windows in preparation for the next Great Crash.

Equip your atrium with an airbag while prices hold.

The chop

■ There it is in black-and-white on the front page of British Editor, the journal of the Association of British Editors.

"The government also proposes to make it a capital offence for anyone intending to obtain personal information for publication" – that is, if they use surveillance equipment on private property.

That seemed a trifle extreme even for David Calcutt, chairman of the Calcutt Committee on the Press and Privacy who advocated that such behaviour should become a criminal offence.

The editors discovered their mistake at the last moment before publication.

But, with the latest technology, there was little that could be done.

All they could manage was four "Xs" typed over the offending word "capital" – not nearly enough to hide their blushes.

Play on

■ When a Hampshire reader asked the owner of her village store if he had any condolence cards she was told, "Sorry, dear – we don't do any games".

POLITICS TODAY

In the trough of the environmental wave

By Joe Rogaly

I have this recurring nightmare. I wake up in the middle of a board meeting or a conference. All are staring at me. You nodded off, they sneer. There is, as with most dreams, a hidden truth here. You can get away with nodding off at a corporate table by using both hands to shield your eyes as if from the fierce light. Position your body to suggest intense concentration on the documents before you. Tune your inner alarm clock to the chief executive officer's voice. Half-minute snatches of blessed sleep can then be safely enjoyed while the finance director explains the technicalities of pensions.

It is harder to achieve pen-pusher's nirvana while chairing a conference. You are literally on stage. Members of the audience may not always be fully awake, but you have no choice. I had none on Monday. The conference, on "The Greening of Business", was called by Business magazine, which is jointly owned by the FT and Condé Nast. I was in the chair. We were still an hour from the coffee break when I was jolted into full alertness by the realisation that all this governmental and business green talk is a delusion.

Do not get me wrong. We had fine speakers. Professor David Pearce, economic adviser to the secretary of state for the environment, pointed out the important appendices to the British government's recent white paper, in which the use of economic instruments to encourage good environmental practice is discussed in the learned manner we have come to expect of him. His ministerial boss, Mr Chris Patten, *spoke with his customary* forcefulness of the need for business to do its part, and of the profit to be gained thereby. He was right: if we do not set green standards for industry, the Germans will. Mr Kenneth Collins, the Labour chairman of the environmental committee of the European parliament, made clear his view that what messrs Pearce and Patten say is of little importance beside what the EC may ordain. My eyes did not glaze over, but I did wonder about lunch.

What jolted me was a memory of a paragraph that exposes such discourse for what it is: whistling in the dark. This paragraph is in the recent report of working group 1 of the intergovernmental panel on climate change. It is a respectable report: it has been endorsed by the prime minister. She could hardly do otherwise, since the chairman was Dr John Houghton, director-general of the British meteorological office. He was not alone: 170 scientists from 25 countries contributed to the deliberations and a further 200 scientists were involved in a peer review of the draft. There is little chance of wild and woolly guesswork here.

The key passage reads: "We calculate with confidence that ... long-lived gases would require immediate reductions in emissions from human activities of over 60 per cent to stabilise their concentrations at today's levels; methane would require a 15-20 per cent reduction."

When it comes to the greenhouse effect, of whose existence the scientists are *certain*, the key long-lived gas is carbon dioxide, but nitrous oxide and the chlorofluorocarbons are also up there in ever-increasing quantities. "Continued emissions of these gases at present rates would commit us to increased concentrations for centuries ahead." If we believe all this we must cut electricity generation and car usage by nearly two-thirds, right now. It is clearly not on.

The speakers at Monday's conference, influenced by the contemporary business and political consensus, were apparently unaware of these calculations. I do not believe that they really were, for the possibility of some ecological disruption by heat, wind and wave during the first half of the coming new century is now seen as real by a growing number of people, cum or ex Sir James Goldsmith. We cannot face the logical consequences of such a belief, so we suppress it. The Pearce thesis, set out last year in *Blueprint for a Green Economy*, makes the fat, comfortable assumption that economic growth and environmental salvation are without doubt compatible. The professor has undertaken to address the contrary assertion in Son of the Pearce Report, which I eagerly await.

Mr Patten preaches, as he must, *that economic growth is necessary if* we are to afford environmental protection. So, in its essentials, does the Labour paper published on Monday. Both take refuge in minimalism. Both quote Edmund Burke's "nobody made a greater mistake than he who did nothing because he could only do a little." (Yes I did say Labour quotes Burke; they will be on to Hayek next.)

"Nature is certainly under threat," says the government paper. Yet Mr Patten would be powerless to alter the terms of the forthcoming privatisation of electricity, even if he wanted to. Under the present scheme the industry will prosper by selling more electricity. Labour propounds "least cost planning", a requirement that energy utilities invest in energy saving by consumers if that is more economic than building a new power plant. It may work, or it may be an incentive to keeping old, smoky, plants open.

The Labour paper, "An Earthly Chance", is probably little closer to what the shadow environment secretary, Mr Bryan Gould, would have desired than is Mr Patten's "The Common Inheritance" to his own ideal. Yet Labour, being out of office, has been free to produce the more forthright document. It is a darker shade of pale green than the prime minister could bring herself to accept. It contains more statements of positive intent, and, I suspect on first reading, more populist green ideas than "The Common Inheritance". It specifically accepts the evidence of the inter-governmental panel on climate change. It outbids, by five years, the government's commitment to freeze carbon dioxide emissions at their present levels by the year 2005 and talks of "significant cuts" within the first decade of the next century. "We cannot continue to pump out more carbon dioxide and other pollutants than the planet can absorb," says Labour.

These praiseworthy sentiments are exposed as cant by the addition, elsewhere, of two short words. Labour is committed, it seems, to "clean coal". The truth would be that Labour's activists are profoundly anti-nuclear, while many of its constituents demand the continued production and use of British coal. The party cannot risk these votes. But "clean coal"? That is a lie. It is as true to protestations about carbon emissions as would be, say, a lover's insistence that he was using an imaginary condom, or a waste contractor's announcement that every fifth sewage pipe was in future to be named Chanel no. 5.

The correct policy is less coal, which might mean less growth. It is also energy pricing, about which Mr Patten is tentatively more courageous than Mr Gould. This is not to say that it is absolutely certain that traditional economic growth will have to be abandoned by the next generation. We are slowly getting cleverer about our use of existing technology. Mr Patten's predecessor, Mr Nicholas Ridley, used to dismiss the proposals of Britain's association for the conservation of energy on the ground that it represented insulation manufacturers. So it does, but better insulation and smarter design has enabled the Japanese to manufacture goods with a fraction of the energy used in the US. Two British writers, James F. Skea and Gerald Leach, have separately produced arguments suggesting that conservation and efficiency could cut *the UK's carbon dioxide emissions* by 7 per cent from 1988 levels (Skea) and 10.5 per cent from 1987 levels (Leach). Labour seems willing to go this route: the Tories have still to answer questions such as why insulation is taxed.

The nagging doubt remains. Its cause is clear. Visualise two graphs. The first shows projected global warming during the coming century. Whether you take a high, medium or low estimate the slope is threateningly steep from about the year 2010, on unchanged policies. Assume, then, the changes currently available if the will is there to promote conservation and known clever technology. The graph leans back, just a little. It cannot lean much, for it will take centuries for the existing greenhouse concentrations to wear away. Now consider the second graph: world population growth. Here again, on any projection, the line rises before us like a mighty wave, ready to crash on our heads. Never mind the Africans and Latin Americans; the Indians and Chinese alone could mop up the savings from smart technology as quickly as we make them, just by increasing their own standard of living by the acquisition of, say, a refrigerator and a motor cycle per family.

This is why the awkward Mr Jonathon Porritt increasingly makes sense. The comfortable Mr Porritt is the former director of Friends of the Earth who has been found by Mrs Thatcher and Mr Patten to be reasonable and someone with whom business can be done. This Mr Porritt believes that "green growth *may* turn out to be less polluting, less wasteful and more efficient in terms of energy and resources" and indeed sees these as "*highly desirable goals, enthusiastically to be campaigned for.*" The deep green and therefore awkward Mr Porritt asserts that "exponential growth (in either human numbers or volumes of production and consumption) *cannot* be sustained indefinitely off a finite resource base." He traces the goal of growth back to the biblical injunction to man to exercise "dominion over the Earth" and its adoption by Bacon, Descartes and Newton. "Making peace with the planet cannot be achieved without a philosophical revolution at least as dramatic as that of the 17th century," he said in a recent lecture.

This kind of thinking is much derided between waves of ecological concern. The man with the sandwich-board proclaiming that the end of the earth is nigh has been proved wrong so far. He will be wrong again if he comes out with just those words now. But that is not the matter at issue. The threat of damaging global warming will almost certainly stimulate greater human endeavour to avert it as it comes closer; we shall try harder as we climb the learning curve of fear. It is that climb that will determine future environmental policy. Meanwhile, there is time to go back to sleep until the next wave gathers force.

Sterling and the ERM

The danger of a high entry level

By Simon Wren-Lewis

Was DM2.95 the right level for sterling to enter the exchange rate mechanism of the European Monetary System? Last spring, I published, together with former colleagues at the National Institute for Economic and Social Research, a study which suggested an entry rate at least 10 per cent below this. Were we wrong, or has the government made a serious mistake?

Our analysis employed the UK's most widely respected econometric model in its calculations, but the logic behind our results was very simple. In our view, only part of the UK's large current account deficit was due to excessive levels of demand. This deficit was also caused by the fact that industry's competitiveness is insufficient to produce a sustainable current account in the medium term. *As a result, the UK's real* exchange rate had to fall.

This could be achieved by either a depreciation in the nominal exchange rate, or a period in which UK inflation was below that of our competitors. Unfortunately a realistic projection for UK inflation suggested an average level over the next few years well above our competitors, leading to a rise rather than a fall in the real exchange rate. As the scope for depreciation in the EMS was limited, this implied that we should enter at a low exchange rate to achieve a sustainable external position in the medium term.

Why didn't the government, and perhaps the foreign exchange market itself, accept *this argument? There are four* possible reasons. The first, and least likely, is that they expect UK inflation will turn out to be lower than in other EMS countries, perhaps because entry to the exchange rate mechanism brings about an immediate structural transformation in *the UK labour market. The sec*ond is that exporters are expected to take advantage of the domestic recession and produce a more substantial turnaround in the current account than previous experience suggests likely. This also seems a bit like wishful thinking, *although it should not be dis*counted completely.

The third, and rather more likely, *possibility is that* our assumption that the current account has to balance in the medium term is wrong.

It could be that long-term capital inflows from Japan or elsewhere will be sufficiently large to allow the UK to run sizeable current account deficit over the next *five to 10 years.* Something similar may be happening in the US. Unfortunately it is equally possible that these inflows will be more than offset by capital outflows from the UK, especially if a high exchange rate makes our wage costs uncompetitive.

The final, and most pessimistic, potential flaw in our argument is that excess demand in the UK is more than wholly responsible for our current account deficit. This would mean that the real exchange rate would not have to fall to correct the deficit, but it would *also imply that the coming* recession would be either severe or prolonged, with only a partial recovery. *In this sce*nario, present UK unemployment is well below its "natural rate".

Suppose, however, that none of this occurs and that our calculations are broadly correct. This will mean that at some point in the next few years sterling will hit the bottom of its approved band within the *ERM. In that case,* how important a mistake will entering at too high a rate be? This depends on how hard the authorities try to resist pressure against sterling. If they permit one or two downward realignments of sterling against other EMS currencies, *then inflation will be little* higher than it might otherwise have been but the costs for the economy will not be that great.

The danger is that the government will attempt to defend the present exchange rate bands at all costs. As a result it may produce, or fail to prevent, *a recession on the same* scale as 1980-81. One way this could happen is that we become locked into an overvalued exchange rate through monetary union. When I think about this possibility, I rather hope our original analysis about sterling's entry rate does prove to be wrong.

The author is economics professor at Strathclyde University.

LETTERS

Tilting the balance against tradeable goods

From Professor T. Barna.

Sir, Mr Howard Flight (Letters, October 12) gives good reasons for thinking that we have joined the exchange rate mechanism (ERM) at a rate which is too high from the point of view of British industry and commerce. One of his reasons is that Britain, compared to Germany, is a low-savings, high-consumption economy.

He could just as well have made the related proposition that compared to Germany (and indeed any other western industrial country), Britain has a low propensity to invest, especially in industries producing tradeable goods. In consequence the growth of the economy tends to be restricted by an inherent weakness in the balance of payments.

It is debateable whether these differences between Britain and Germany are due to differences in national character (the Ridley thesis?) or to *differences in circumstances* including government policies.

Since the war, upswings in Germany have tended to be export-led but in Britain consumption-led. We have had booms associated with the names of Butler, Maudling, Barber and Lawson that could not be sustained and which left Britain stuck in a low-investment, low-export structure.

Of course, we must be inside the ERM and, of course, we must stop inflation. But is there no alternative to a policy which yet again tilts the balance of the economy against the tradeable goods sector?

T. Barna,
Beanacre,
Westmeston,
Hassocks, Sussex

From Mr Anthony Aylward.

Sir, Whilst entry into the ERM may spell the beginning of the end for the Tories in government, Labour's monetary policy does not make any sense either.

Under a regime of fixed exchange rates, credit controls only work if you also have exchange controls. Exchange controls are no longer allowed within the European Monetary System, hence the use of credit *controls* would not appear to be consistent with sterling's being in the ERM.

Anthony Aylward,
economist,
Chase Manhattan Bank,
Westgate House,
Coleman Street, EC2

The revival of mass transit systems is inevitable

From Mr James M.S. Ullman.

Sir, Surely your editorial writer ("Transport and the Tories," October 12) relies on imagination when he says it is unrealistic to assume that spending more money on public transport and increasing the capacity of railways would reduce highway congestion.

Contrary to the conceptual poverty of your editorial, a study by the University of Rhode Island showed that an Amtrak train carrying 500 passengers removes 400 cars from the roads.

Certainly, nations all over the world have to address traffic problems such as in the San Francisco Bay area where "rush-hour" extends from 2 pm to 7 pm and on the autobahns in West Germany where, on a summer weekend, hold-ups can extend 40 miles.

While I can only speak about developments in the US, the fact is that whenever the American people, who had long ago been thought to have abandoned the railroad passenger systems, are offered decent, clean, reasonably punctual – let alone functional – train services they will patronise them. And they will do so in surprisingly large numbers, as exemplified by the Washington-New York-Boston and Los Angeles-San Diego services.

Indeed, if the experience of the last 40 years in transportation teaches us anything, it is that highway expansion does not alleviate traffic congestion, it creates it. Whether or not, the idea is palatable now, a major investment and revival in mass transit systems, particularly rail, is not only necessary but inevitable.

James M.S. Ullman,
acting chairman,
Connecticut Association of Rail and Bus Users,
95 East Main Street,
Meriden, Connecticut

From Mr Nigel Seymer.

Sir, Your editorial *criticises* Mr Cecil Parkinson for brushing aside the case for charging cars to use congested streets.

He may or may not be right to reject road pricing as a way of reducing car traffic in cities (especially London). But if road pricing is not on and, at the same time, it is recognised (as it is by the Bow Group and others) that London's transport situation constitutes a crisis, then the transport secretary would surely do well to bring in the kind of measures that have been proved acceptable and effective in several US. cities, notably Washington DC.

The package of measures is called TDM (transportation demand management). It includes provision of large *park-and-ride facilities, promo*tion of car and minibus "pools" (ride sharing), and lanes and roadways reserved in peak hours for HOVs (high occupancy vehicles, including cars with three or more occupants).

Such measures are more egalitarian than road pricing and require no sophisticated equipment. They have also proved acceptable in a free society. They can be introduced in one corridor at a time (rather than throughout a city) and would go hand in hand with road pricing if that were ever introduced. The M4 should be the first corridor to be tackled.

Nigel Seymer,
63 Esmond Road, W4

A long goodbye to corporatism

From Mr Denis Macshane.

Sir, *John Lloyd's claim that* corporatism has been buried by Labour ("Goodbye to corporatism," October 12) may be premature. Any incoming Labour cabinet will discover that it has, at a stroke, become the country's biggest single employer. Like ICI or British Airways it will require a pay policy for its employees. Given the political power that unions exert within the Labour Party, *it is not realistic to expect* them not to use it to seek the best deal for their members.

Trade union density may have shrunk in many modern sectors but not among public employees. The proposed legal minimum wage may buy peace for a year or so but will either become dangerously inflationary if pitched too high or a source of discontent if too low.

To suggest that Labour within 18-30 months of *taking* office will be able to do without a pay policy or that this will not involve some mediation with organised labour is *unrealistic. The value of the* proposal of the GMB's John Edmonds and UCW's Alan Tuffin is that they suggest discussing this openly and rationally – a process of "modernisation through an increase in applied intelligence" to quote Mr Lloyd.

They also suggest beginning that discussion now rather than awaiting a panic over wage inflation in the lifetime of a Labour government. This may not be corporatism – probably the most elusive concept in recent political science language – but it is an attempt to discuss, even shape, the distribution of national wealth on grounds that take into consideration wider social criteria than individual happenstance and power and that might well do as a definition of socialism still relevant for the *21st century.*

Denis Macshane,
5 La Champenoise,
Dionne, France

Customers at end of the queue

From Mr Maurice Healy.

Sir, Your report that executives of recently privatised companies put customer service and product quality at the bottom of their priorities ("Customer service is low priority," October 12) is depressing, but not surprising.

The National Consumer Council (NCC) has always maintained that it is the behaviour and not the ownership of public utility monopolies which is the key issue for consumers. Your report confirms that, for as long as they remain monopolies, it would be foolish to rely on the goodwill of individual executives.

The NCC has long argued that consumers need regulation of quality of service as well as price, and some robust mechanisms of consumer representation. Otherwise *customer service and product* quality will remain at the end of the queue for executives' attention.

Maurice Healy,
director,
National Consumer Council,
20 Grosvenor Gardens, SW1

FINANCIAL TIMES
Friday October 19 1990

SOUTH AFRICAN MOVE WELCOMED

De Klerk lifts state of emergency in Natal

By Philip Gawith in Johannesburg

THE STATE of emergency was lifted in Natal yesterday by South African President F.W. de Klerk who said political violence in the province had abated.

Both the African National Congress and the mainly Zulu Inkatha movement welcomed the move, which removed a further obstacle to the start of political negotiations in South Africa.

Mr de Klerk's decision was also warmly received in Washington, where Mr Marlin Fitzwater, the White House spokesman, cited it as further evidence that "the process of change in South Africa has become irreversible".

Pretoria lifted the four-year old state of emergency in South Africa's other three provinces in June, but retained the clampdown in Natal. This was because of particularly brutal violence early this year, peaking with 180 deaths in the province in March.

Police and troop deployment in the region since then has brought down the number of violent incidents.

Over the past four years, violence in the province – largely in clashes between ANC and Inkatha followers – have cost more than 3,000 lives.

However, Mr de Klerk said yesterday that "conditions in Natal have become stabilised to such an extent that the ordinary laws of the land are again sufficient to enable the Government to ensure the safety of the public and maintain public order".

The president and Mr Adriaan Vlok, minister of law and order, nevertheless stressed that lifting the clampdown did not represent a weakening of Government resolve.

Mr de Klerk said the government would, if required, use local emergency powers to protect lives and property, as it recently did in strife-torn Transvaal townships.

Later yesterday, as if to prove the point, Mr Vlok imposed a curfew on the West Rand township of Toekomsrus, scene of recent unrest. Mr Mangosuthu Buthelezi, chief minister of the Kwazulu homeland and leader of Inkatha, welcomed Mr de Klerk's decision as "a step which will enable us to normalise politics, but it is also a step which should bring South Africa nearer to the negotiating table".

The ANC said that lifting the emergency "should help create the climate essential for peace and free political activity". It hoped the government would address the remaining obstacles, "in particular the release of all political prisoners and detainees and the repeal of all security legislation".

Major warns of difficult choices for UK industry

By Peter Norman, Economics Correspondent, in London

BRITAIN'S shop-floor workers and company directors will have to accept lower pay increases if the country is to succeed as a full member of the European Monetary System, Mr John Major, the UK chancellor, warned last night.

In a speech at London's Mansion House, he said entry into the EMS exchange rate mechanism would force both the government and the private sector to make difficult choices.

"Entry will require tough action in the short-term to ensure low inflation thereafter," he said.

On pay, the chancellor said: "The days have gone in which businesses could simply negotiate around the RPI [retail prices index] and assume that a falling exchange rate would keep them competitive with their European rivals."

With Britain in the ERM, "that approach will lead to only one result: lost markets, redundancies, plant closures, and ultimately company failures," he warned.

The chancellor took the opportunity of his first major speech since ERM entry to stress that it would bring benefits to Britain. It amounted to "an extra dimension" to monetary discipline.

He acknowledged, however, that 1990 was "an uncomfortable year", adding: "I do not promise that 1991 will be easy either."

The chancellor said he expected inflation to fall markedly throughout next year and "especially quickly from April" as both the underlying rate improved and adverse factors dropped out of the index. But he underlined that interest rates would be reduced further "only when it is clearly safe to do so".

The Mansion House speech given before bankers and merchants of the City of London is traditionally the forum at which changes in monetary policy are outlined.

Last night in his first Mansion House speech, Mr Major obliged by confirming widespread speculation that he was considering issuing a UK government bond denominated in the EC's European Currency Unit "at the appropriate time".

He also paved the way for an announcement in the coming weeks that the government has accepted public spending must exceed its previous £192.3bn target for the 1991-92 financial year.

Signalling a weakening of previous government policy to reduce the share of public spending in gross domestic product, he said: "An economic slowdown inevitably brings renewed pressures on public expenditure, which may no longer fall as a proportion of GDP."

However, he rejected the idea of a more interventionist fiscal policy following ERM membership.

Mr Robin Leigh-Pemberton, the governor of the Bank of England, told the audience that lower wage increases could help to avoid sharply rising unemployment. He referred to France's experience of ERM membership, where the imposition of a successful counter-inflation policy in 1983 led to a sharp rise in unemployment to 10.5 per cent four years later.

"Our ability to compete – and thus to preserve or create jobs – will deteriorate unless both wage settlements and productivity growth move rapidly towards Continental performance," he said.

Lex, this page; Editorial Comment, Page 18

Li sentenced to four years' imprisonment for corruption

By John Elliott in Hong Kong

MR Ronald Li, the flamboyant former chairman of the Hong Kong stock exchange, was sentenced yesterday to a total of four years' imprisonment on two corruption charges.

Mr Li, 61, one of the richest men in Hong Kong, with personal wealth estimated to be in excess of HK$8bn ($1bn), was also ordered to pay the prosecution costs, which are informally estimated at about HK$7m, and to forfeit HK$865,365.58 in share profits.

Mr Li's lawyers are expected to lodge an appeal, accompanied by a plea for bail, within a week or so.

They are likely to criticise the summing up earlier this week by Mr Justice Kemal Bokhary who, they believe, dealt unfairly with the defence arguments.

Sentencing Mr Li yesterday, Mr Bokhary said: "You are a very wealthy man by any standards, and have long been a wealthy man, so you have even less excuse than a poor man for doing what you did."

The offences were "very serious" because they involved "corruption in a very high place indeed".

However, there were "circumstances of considerable mitigation", including age and public service.

Mr Li's wife and a dozen or more family members and friends were in Hong Kong's High Court yesterday morning when Mr Li was led in from the cells where he had spent the night after being found guilty.

On Wednesday evening, a seven-person jury had convicted him after a five-to-two vote.

Ronald Li is driven away from court after his conviction

Looking fit, Mr Li nodded encouragingly to his family, some of whom looked shocked and tearful when the judge delivered his sentence.

The charges were that in 1986 and 1987, Mr Li had solicited preferential allocations of shares as a reward after the Hong Kong stock exchange had agreed to the listing of the shares of two companies, Cathay Pacific Airways and Novel Enterprises.

Shattering blow to the Waterford tradition

By Kieran Cooke in Dublin

MOVING Waterford crystal production out of Ireland is rather like the champagne growers of France ripping up their vines and transplanting them in Germany.

But that is what is happening. The 2,300 workers producing luxury hand-made crystal at the Waterford plant 90 miles south of Dublin are angry about management plans to buy "substantial" amounts of crystal from foreign suppliers, mainly in Germany.

The company says that its research has shown that what matters to the consumer is the Waterford label – not where the crystal is made.

Mr Walter Cullen, a union leader at Waterford, says the move to a foreign machine-made product is the first step in the closure of the industry. "For 40 years Waterford has been famous for its hand-made crystal. We don't believe consumers will want to buy machine crafted crystal just because it's got a Waterford label."

At a meeting on Wednesday night, workers said they would not co-operate with a new five-year company development programme unless the plans for moving production overseas were scrapped. Management has dug in its heels, saying that FX Nachtmann, a German company, has already delivered crystal samples for test marketing in the US.

Waterford is one of Ireland's biggest employers and a national institution. Anyone who is anyone leaves the country with a Waterford cut glass goblet or bowl underarm. Mr Charles Haughey, the Irish prime minister, once described Waterford crystal as one of the finest products made by man anywhere in the world: "Cool, clear and scintillating, yet with no feelings of coldness".

Though Waterford was profitable for several years, its recent history has been little short of disastrous. In 1986 Waterford took over Wedgwood, UK maker of high quality china, for I£260m ($463m). While continuing profits from Wedgwood have kept Waterford afloat, the takeover turned a cash-rich company into one saddled with debts that last year rose to I£145m.

In 1987 Waterford management undertook a costly redundancy programme which led to the departure of many skilled workers and production hold-ups. Losses mounted and management was reshuffled after the discovery of "accounting errors". Earlier this year operations at Waterford were closed by a 14 week strike.

This week's interim figures were not a pleasant sight. Losses in the crystal division caused overall net losses in the group of I£22.6m compared with losses of I£14m in the first six months of last year. Overall group sales were down 12 per cent.

In March this year a consortium led by Mr Tony O'Reilly, the Irish-born head of the Heinz group, and Morgan Stanley, the US investment bank, paid I£80m for a 30 per cent stake in the group.

According to the O'Reilly gospel, there are no more than 250 leading brands worldwide. Waterford and Wedgwood are two of them. He feels that with a brand, anything is possible.

Waterford workers say the hand-made cut glass product is the thing. Unions are warning of protest action. It looks like another episode in the sad saga of Ireland's flag-carrying crystal producer is about to begin.

EC seeks a trans-European energy charter with Moscow

By David Buchan in Brussels

A BRITISH-inspired charter of principles governing long-term energy co-operation between the EC and the Soviet Union will form the core of the European Commission's promised plan to aid the Soviet economy.

The idea of the trans-European energy charter, creating political guarantees for western energy companies operating in the Soviet Union, will figure in talks in Brussels this weekend between senior EC Commissioners and Mr Stepan Sitaryan, a Soviet deputy prime minister. They will then be put to EC foreign ministers on Monday and a few days later to the Rome EC summit.

If it wins support, Brussels may respond to the recent suggestion by Mr Douglas Hurd, UK foreign secretary, for a conference of countries of the EC, European Free Trade Association (Efta), eastern Europe and the Soviet Union to discuss long-term energy co-operation.

The original scheme for a pan-European energy community was proposed by Mr Ruud Lubbers, Dutch prime minister, in June at the EC Dublin summit, which passed the plan to the EC's Brussels executive for study and recommendations this month.

Much of the EC effort to aid Moscow – which was the central issue of the Dublin summit and was to have been the raison d'être of the forthcoming Rome summit – has been slowed by Soviet uncertainty and indecision. In addition, the recent oil price surge has eased Soviet balance of payments problems, shifting Brussels' concern more to eastern Europe, which faces a higher hard currency energy bill next year of $7bn.

At a meeting here today on Eastern Europe, EC officials will tell their partners in the Group of 24 that one solution for the region might be a special financing facility.

These developments have whetted interest in the energy plan, particularly within the UK government. In a recent memo to Brussels, the UK said "the Commission should investigate a forum for the creation of an open energy market covering the whole of Europe", with equal access for all, and guarantees about profit repatriation and against asset expropriation.

The UK argues a new energy initiative would:

● Help the Soviet Union undertake sensible but domestically unpopular energy price rises.

● Assuage fears in the Soviet Union, which has 38 per cent of world gas reserves and 6 per cent of the world's oil, that "the West might simply be plundering its natural resources without offering anything in return".

● Make Western companies happier about investing there.

● "Discourage the Soviet Union from joining a producer cartel such as Opec".

● "Act as vehicle for targeted aid to the Soviet Union".

EC officials detect a recent reticence from the Soviets, who initially welcomed the Lubbers plan. They therefore think the UK idea of drawing up general principles of pan-European energy co-operation might be useful in "testing Soviet interest and sensitivities".

World trade talks near to collapse

Continued from Page 1

and import restrictions on farm products over 10 years.

One of the principal causes of the international debt crisis was the $35bn a year that developing countries had lost as a result of their diminished share of world farm exports since 1970, Mr Sola said.

Argentina had recently been undercut by France in a bid to sell wheat to Iran at $80 a tonne compared with the $150 that it had secured last year.

French traders, to whom the Iraqi market had been closed by the international embargo, had offered to sell wheat to Iran at $5 a tonne less than any Argentinian offer. Yet French wheat farmers were paid $240 a tonne compared with the $70 received by Argentinian producers, Mr Sola said.

Argentina and five other Latin American countries brought the trade talks to a four-month halt at the ministerial mid-term review of the Round in December 1988, when they refused to continue negotiating until the European Community and the US had agreed on a programme for the farm talks.

Australia and New Zealand could be expected to join in any such action, Mr Sola said.

Cairns Group ministers are scheduled to meet in Geneva on November 5. During that month, Mr Sola said, national delegations from the group would visit European capitals to ensure that all heads of government realised what was at stake in the Gatt talks.

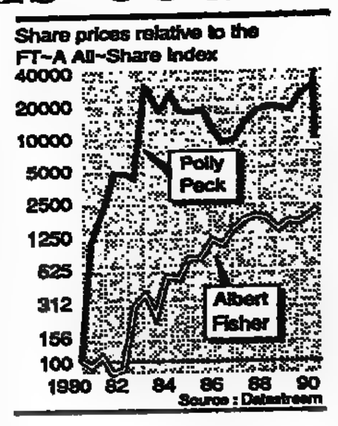
THE LEX COLUMN

Mr Major keeps his counsel

Last night's Mansion House address from the chancellor was a masterly piece of political evasion. The decision to cut interest rates a fortnight ago, clearly still a delicate issue, was defended on the grounds that they could not be cut before ERM entry. The point of market criticism, of course, is that they should have been cut after. While ERM entry was stated as important for fiscal policy, no conclusions were drawn beyond a general commitment to "overall fiscal balance". As to the short-term outlook for the PSBR or for gilt funding, there was no guidance at all.

Messages from the real economy yesterday will have given the chancellor little cause for comfort. True, the money supply is beginning to confirm the impression of an economy heading into recession and there has been a very welcome recovery in the savings ratio. But there is little sign as yet that the unions in the current bargaining round have any intention of accepting the chancellor's logic on pay restraint. Unemployment rose only modestly in September, underlying earnings continued to accelerate and productivity growth has collapsed. With output prices growing by 6 per cent and unit labour costs by nearly 10 per cent, there is a horrendous squeeze on profitability which will eventually show up in the unemployment figures. The UK has the highest rate of wage inflation amongst its major European partners and the lowest unemployment rate. If the government really is as committed to ERM as it says it is, something has to give.

Share prices relative to the FT-A All-Share index



Albert Fisher

Albert Fisher's full-year figures conform perfectly to its tradition for boring excellence: earnings per share up 21 per cent, dividend up 22 per cent, organic growth of 21 per cent throughout the divisions. The chief question in the market's mind is whether this is about to change. The obvious gap in Fisher's worldwide fruit and vegetable empire is bananas. If poor old Polly Peck were to prove a forced seller of Del Monte, who more natural as a buyer?

For a company used to acquisitions around the £10m level, the $750m or so which Del Monte might cost, even in a fire sale, entails a cultural upheaval. Industrial logic, however, suggests a bigger target again: Dole Food, presently up for sale through Goldman Sachs and likely to command a price – at least for the bits which would fit with Fisher – of nearer $1.5bn. Given Fisher's traditional aversion to debt, this would entail doubling the equity base. The more fortunate, then, that the company has in Corporate Partners a US backer committed to investing some $200m in its equity.

The logic for Dole as a target seems clear. Fisher's US business – with a turnover last year of £430m – is almost exclusively with hotels, restaurants and the like. Dole deals chiefly with retailers, coming equal first in the US banana market with a 30 per cent share against Del Monte's 18 per cent. The distribution network thus secured could be further loaded with Fisher's existing produce lines. Dole is also a larger supplier to the European market than Del Monte. Fisher need only conquer its dislike of the risk involved in growing what it sells – Dole being a huge plantation owner in central America – and the deal is on.

There are any number of provisos to this. The seller might back off: so might the notoriously cautious Fisher: a higher offer might emerge: Fisher's shareholders might demur. If so, the market would be left with something over £93m pre-tax this year and a historically modest earnings growth of 10 per cent, with the shares on a perfectly reasonable 10 times earnings. How the market might react to Fisher owning 20 per cent of the world banana trade is a different and diverting question.

UK institutions

The most disturbing aspect of the second quarter institutional investment figures from the Bank of England is the weakness of the cash inflows. The £4.8bn is over a third below the 1986-89 quarterly average and has led brokers County NatWest WoodMac to reduce its estimates of total 1990 institutional investment by £3bn to £25bn. If correct, this will be over £1bn less than in 1987. While there are plenty of explanations for the recent weakness, the next few quarters will confirm whether this is the start of a trend or just a temporary blip.

The undeniably good news in the figures is further evidence of the surprisingly large build-up in institutional cash. The £4.8bn rise in short-term assets in the first six months is very nearly the same as the total invested in UK and overseas equities. Institutional liquidity is proportionately as high now as it was in the aftermath of the 1973-4 bear market.

Axa Midi

By yesterday's simplification of its structure, the Axa-Midi Group did more than improve its shape. It also sent investors an invitation to reconsider their aloof approach to its shares, which are still trading near their five-year low relative to the Paris index. The move, with its accompanying name change, marks the end of three years of corporate strife; but the group now seems to have constructed a believable identity as a relatively plain composite insurer. The continuing sale of its remaining property and industrial interests should complete the process.

The streamlined Axa looks slightly less flexible when it comes to raising capital, at least if it wants to issue paper. However, the long-term US ambitions of Mr Bébéar seem undimmed, partly because he knows there will be further funds coming from disposals. There might not be enough to rule out a future rights issue but, if Axa bides its time, it could yet pick up a bargain.

Axa cannot have its cake just yet, however. If it is to be a leading international composite, it must demonstrate an ability to manage its constituent parts. On that score, yesterday's interim results are unimpressive, with a host of European problems adding to the expected storm losses. There is one other obvious hole in its strategy; Axa will need to acquire a UK insurer. Guardian Royal Exchange remains the favourite. It recently demonstrated its ability to lose money in the Italian motor insurance market, so the two already have something in common.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	22	73	Berlin	S	18	66	Caracas	C	28	84	Faro	R	18	66
Algiers	S	25	77	Biarritz	F	22	72	Casablanca	C	23	73	Florence	F	21	70
Amsterdam	Dr	15	59	Bombay	S	32	91	Chicago	Sn	3	39	Frankfurt	C	17	63
Athens	S	25	78	Bordeaux	F	20	68	Cologne	C	16	61	Geneva	S	17	64
Bahrain	S	31	88	Boulogne	C	16	61	Copenhagen	C	12	65	Gibraltar	C	18	66
Bangkok	F	32	91	Brussels	C	16	61	Corfu	S	23	75	Glasgow	C	12	54
Barcelona	S	21	70	Budapest	S	17	64	Dallas	S	7	46	Helsinki	C	7	46
Beirut		–	–	Buenos Aires	F	20	68	Dublin	Dr	11	52	Hong Kong	S	27	81
Belfast	C	12	55	Cairo	S	28	84	Dubrovnik	C	20	68	Innsbruck	F	18	65
Belgrade	S	22	72	Cape Town	S	20	68	Edinburgh	C	11	52	Inverness	C	12	54

		°C	°F			°C	°F			°C	°F			°C	°F
Islamabad	[illegible]	[illegible]	[illegible]	Madeira	[illegible]	[illegible]	[illegible]	Milan	[illegible]	[illegible]	[illegible]	Nicosia	[illegible]	27	82
Istanbul	[illegible]	[illegible]	[illegible]	Madrid	[illegible]	[illegible]	[illegible]	Montreal	[illegible]	[illegible]	[illegible]	Oporto	[illegible]	15	59
Jakarta	[illegible]	[illegible]	[illegible]	Majorca	[illegible]	[illegible]	[illegible]	Moscow	[illegible]	[illegible]	[illegible]	Oslo	[illegible]	10	50
Jersey	[illegible]	[illegible]	[illegible]	Malaga	[illegible]	[illegible]	[illegible]	Munich	[illegible]	[illegible]	[illegible]	Paris	[illegible]	15	59
Johannesburg	[illegible]	[illegible]	[illegible]	Malta	[illegible]	[illegible]	[illegible]	Nairobi	[illegible]	[illegible]	[illegible]	Peking	[illegible]	20	68
Lima	[illegible]	[illegible]	[illegible]	Manchester	[illegible]	[illegible]	[illegible]	Naples	[illegible]	[illegible]	[illegible]	Prague	[illegible]	17	63
Lisbon	[illegible]	[illegible]	[illegible]	Manila	[illegible]	[illegible]	[illegible]	Nassau	[illegible]	[illegible]	[illegible]	Reykjavik	[illegible]	8	41
London	[illegible]	[illegible]	[illegible]	Melbourne	[illegible]	[illegible]	[illegible]	New Delhi	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	25	77
Los Angeles	[illegible]	[illegible]	[illegible]	Mexico City	[illegible]	[illegible]	[illegible]	New York	[illegible]	[illegible]	[illegible]	Rio de Janeiro	[illegible]	22	72
Luxembourg	[illegible]	[illegible]	[illegible]	Miami	[illegible]	[illegible]	[illegible]	Nice	[illegible]	[illegible]	[illegible]	Rome	[illegible]	22	73

		°C	°F			°C	°F
Salzburg	[illegible]	15	59	Tenerife	S	25	77
San Francisco	F	12	55	Tokyo	S	23	75
Seoul	S	17	63	Toronto	R	16	61
Singapore		–	–	Tunis	F	26	79
Stockholm	F	8	46	Valencia	S	22	72
Strasbourg	F	18	65	Venice	C	20	68
Sydney	S	23	75	Vienna	F	17	63
Taipei	[illegible]	28	84	Warsaw	S	17	63
Tangier	R	16	60	Washington	F	20	68
Tel Aviv	[illegible]	27	81	Zurich	S	17	63

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

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INSIDE

Saab-Scania boosts profits by 35%

Saab-Scania, Sweden's vehicle and aerospace group, has engineered a healthy 35 per cent increase in profits on the back of a 4 per cent rise in sales. The upturn reflected a dramatic reversal in the group's aircraft division, which only two years ago was suffering hefty development costs on its military and civil models. Firm international growth in the regional airline industry has resulted in a strong order book for Saab and deliveries of its 340 model are expected to increase by 50 per cent this year. Page 22

AT&T reveals flat third quarter

American Telephone & Telegraph yesterday announced little change to third quarter net profits — "a solid performance in the face of a softening economy," said chairman Robert Allen. AT&T, the leading provider of long-distance telephone calls in the US, said earnings had been held back by the start-up costs of its successful credit card. Martin Dickson reports. Page 24

Astra reports £67.7m losses

Astra Holdings yesterday published unaudited accounts which will help to answer questions about its dire financial state. The munitions and fireworks manufacturer, under investigation by the UK Department of Trade and Industry, reported pre-tax losses totalling £67.7m ($132m) after extraordinary items in the year to March 1990. Richard Gourlay reports. Page 28

Zimbabwe's tobacco road

It's boom time for Zimbabwe's tobacco growers. Strong world demand has combined with excellent crop quality and a devaluation of the Zimbabwean dollar to boost average flue-cured leaf prices by 50 per cent. But there are a few clouds on the horizon. The country's exchange rate policy and further talk about land redistribution may affect international confidence in Zimbabwe's ability to maintain supplies as it increases its dependance on the crop as an export earner. Tony Hawkins reports. Page 32

Not a creature was stirring

An eerie silence reigned on the Milan bourse yesterday — not a share changed hands, and prices remained unmoved. The silence on the normally uproarious Milan floor stemmed not from a paucity of business but rather from the decision by most of the market's 700-odd floor traders to strike in protest at the slow pace of bourse reform. After a brief spell of optimism in June and July, work on the legislation has been stalled by other matters. Page 27

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW	431	+	16
Continental	259	+	5
Daimler	816.5	+	12.5
Deutsche Bank	822	+	11.2
Volkswagen	407.5	+	6.3
NEW YORK ($)			
Rises			
Apple Comp	28½	+	2
[illegible]	25½	+	1
IBM	[illegible]	+	4⅜
Philip Morris	46⅞	+	[illegible]
Schlumberger	55⅞	+	¼
Falls			
MCI	27⅝	−	1⅝
PARIS (FFr)			
Rises			
Club Med	419	+	10.5
Ecco	318	+	13
Peugeot	525	+	15
St Gobain	400.5	+	8.5
Suez	318	+	6
Falls			
Midi Cie	877	−	36
TOKYO (Yen)			
Rises			
Kawasaki Steel	450	+	20
Kobe Steel	549	+	[illegible]
NKK	457	+	29
Nippon Steel	470	+	26
Sumitomo Metal	495	+	30
Falls			
Honshu Paper	1800	−	250
LONDON (Pence)			
Rises			
ADT	119	+	12
Brent Walker	74	+	14
Candover	210	+	7
Hammerson	585	+	14
Highland Dist	228	+	11
Low (Wm)	348	+	9
Sedgwick	208	+	6
Traf House	197	+	9
Unilever	844	+	5
Willis Corroon	209	+	8
Falls			
Attwoods	402	−	17
Ingham (G)	88	−	7
Kynoch (G & G)	38	−	7
Pearson	809	−	8
UK Land	90	−	5

BP sells gas assets for NZ$360m

By **Terry Hall** in Wellington and **David Thomas** in London

BRITISH Petroleum plans to raise NZ$360m (US$217m) by selling its New Zealand gas production interests to Fletcher Challenge, New Zealand's biggest company.

The move will make Fletcher Challenge New Zealand's dominant energy company and is a substantial contribution towards BP's target of raising $2bn through disposals this year.

Under the agreement, Fletcher Challenge will buy BP's 18.75 per cent interest in the Maui gas and condensate field off Taranaki for NZ$290m. BP production interest in Maui is 75m cubic feet a day.

The British oil group is to retain certain financing obligations for a second offshore Taranaki oil platform.

BP will also sell Fletcher Challenge its 37.5 per cent stake in the onshore Kapuni field. BP's interest in Kapuni is 20m cubic feet a day.

Fletcher Challenge will then onsell BP's Kapuni field interests for NZ$70m to the other two Kapuni companies, Shell and the Wellington-based Todd Petroleum Mining, which will each then own 50 per cent of Kapuni.

Fletcher Challenge said the purchase would add 25 per cent, or about 93m barrels of oil equivalent, to the company's reserves, which now stood at 450m barrels equivalent.

Mr David Newman, BP's New Zealand managing director, said the sale was in line with the parent company's stated plans to sell its non-strategic assets.

BP has recently sold production interests in France to Elf, the state-controlled French oil company, for $115m and is currently taking bids for its Dutch production interests. Earlier this year, it completed disposals to Oryx Energy of the US of assets worth $1.1bn.

BP's oil refining and marketing interests, together with its forestry and chemicals businesses in New Zealand, are not affected by the sale.

The Kapuni field is New Zealand's largest onshore field, and recent tests have doubled its estimated reserves. However, British Petroleum is understood to have regarded the New Zealand area as a relatively unpromising production opportunity, since enough gas has already been discovered there to satisfy the country's needs well into the next century.

The proposed sale by BP is subject to the approval of the New Zealand Commerce Commission.

BP has made known its determination to complement its disposal programme by an exploration strategy that concentrates on "frontier" regions of the world.

These offshore regions include Vietnam, the eastern side of Indonesia, the deep water in the Gulf of Mexico and the western margin of the UK continental shelf.

It intends to follow this year's $2bn disposal programme by selling a further $1bn of assets next year.

Digital declines in third quarter

By **Louise Kehoe** in San Francisco

DIGITAL Equipment, the world's second largest computer manufacturer, yesterday reported lower than expected first quarter earnings and a small decline in revenues.

The company, stuck in a two-year earnings slump, is to continue a programme of voluntary retirement aimed at reducing its 124,000 workforce by about 5,000 during the 1991 fiscal year.

For the first quarter, ending September 29, revenues dipped to $3.09bn from $3.13bn in the same period last year.

Net income for the quarter was $26.2m, or 21 cents per share. This is an 82 per cent decline from earnings of $150.8m, or $1.20 per share, in the first quarter last year.

During the first quarter the company repurchased 3.7m shares of its stock for $241m, completing a 5m share stock repurchase programme begun in April.

Stock analysts' projections for the first quarter averaged 41 cents per share. Despite the disappointing results, however, Digital's stock opened at $48, up from a Wednesday close of $46¾, in a broad market rally.

Earlier in the week, the company's stock price hit a five-year low of $45½.

"Although operating results for our first quarter were not satisfactory, the company is making progress in identifying and eliminating expense items not critical to its success," said Mr John F. Smith, senior vice president of Operations.

In July, Digital took a $400m charge against fourth-quarter earnings to cover the costs of workforce reductions and facilities cutbacks and reported a loss of $256m for the closing three months, its first ever quarterly loss.

Digital said it was also continuing to consolidate facilities and take cost-cutting measures throughout its operations.

"We are encouraged by some improvement in our U.S. business in the first quarter," said Mr Smith.

"While the pace of business in Europe and other parts of the world has slowed, we continue to be encouraged by positive customer reaction to both existing and upcoming hardware, software and service products," he said.

Digital said it was planning several product introductions this month, which are expected to include a significant upgrade of the group's range of VAX minicomputers.

Renault and Volvo seek 40% holding in Skoda

By **Kevin Done** in London

RENAULT and Volvo are seeking a 40 per cent stake in Skoda, the Czechoslovak car maker, and have put forward an investment plan totalling FFr13bn ($2.57bn) to modernise and expand Skoda's operations in the 1990s.

Renault, the majority state-owned French car maker, and Volvo, the Swedish automotive group, are competing with Volkswagen of West Germany to acquire a substantial holding in Skoda.

The manufacturers want to expand their operations into eastern Europe as a rapid restructuring of the European motor industry gathers pace.

It is expected that Skoda and the Czechoslovak government will make a final decision on the competing bids by mid-November. Under the terms of the Franco-Swedish bid, both Renault and Volvo would directly hold shares in Skoda.

Mr Louis Schweitzer, finance director and deputy chief executive of Renault, said in Prague that investment planned for the joint venture with Skoda would total about FFr13bn during the 1990s.

Renault said yesterday that some FFr8.5bn would represent capital investment in plant and equipment. In a first stage, the existing Skoda plant in Mlada Boleslav would be modernised and the current production capacity of about 180,000 cars a year would be increased to 250,000.

The second stage involves a new car plant which would expand Skoda's capacity to about 400,000 cars a year in the second half of the 1990s.

Renault said that under the terms of its offer the Skoda marque would be maintained. It also said that Skoda would remain an independent company. Renault had not sought an option to take a majority stake later.

The total investment of FFr13bn would include spending on the Skoda dealer network, with the development of a modern distribution and retailing organisation in Czechoslovakia and other parts of eastern Europe.

It would also include planned investment for components suppliers, including foreign automotive components makers. Renault said it would also help Skoda to develop its sales network in western Europe.

The French car maker said its product plan would focus first on the modernisation of the present Skoda Favorit range, including the supply of Renault engines.

It was also planning to build an existing Renault car in Czechoslovakia and would later add a second range with a new product.

The French company suggested that the Skoda brand name be used for these cars in eastern Europe, while the Renault name would be maintained for exports.

Renault appoints new Mack chief, Page 22

Martin Sorrell, chief executive, has been struggling to allay concern about WPP's heavy debts

WPP wins $140m Kraft account

By **Alice Rawsthorn** in London

WPP GROUP yesterday saw its shares rise by 9p to 395p on the news that Ogilvy & Mather and J. Walter Thompson, its two international advertising agencies, have won more than $140m (£71.5m) of new business from Kraft General Foods (KGF).

These accounts have come at a critical time for WPP, the world's largest marketing services group, which has watched its shares fall sharply in recent months. Mr Martin Sorrell, chief executive, has been struggling to allay investors' concern about WPP's heavy debts and the depressed state of the US and UK advertising markets.

The WPP agencies were the main beneficiaries of a wide-ranging review of KGF's worldwide advertising arrangements. KGF, part of the Philip Morris group, is concentrating its advertising among a small number of international agencies.

Other agencies to have won new accounts as a result of the review include Leo Burnett and Young & Rubicam, the privately-owned US agencies.

Ogilvy & Mather has won the bulk of the new business. It has been awarded an estimated $120m of additional General Foods accounts in the US, Mexico and Europe. This is probably the biggest single new business deal in the international advertising industry this year.

The largest part of Ogilvy's new business was the $70m account for Maxwell House coffee in the US. It won this back from D'Arcy Masius Benton & Bowles, the private US agency. Ogilvy lost the account to DMB&B in spring last year, a few months before it was taken over by WPP. Ogilvy has also won Maxwell House accounts in the UK and West Germany.

J. Walter Thompson has been awarded an estimated $20m of new business by Kraft. Its new account deals include Miracle Whip dessert and Polllo cheeses in the US. It has also gained Kraft business in Mexico and Venezuela.

The KGF review forms part of the trend for large companies to internationalise their advertising activities. KGF works with a total of eight agencies, but concentrates expenditure between a small number within particular product sectors or regions.

Albert Fisher unveils 65% rise in pre-tax profits

By **Andrew Bolger** in London

ALBERT FISHER Group, the acquisitive fresh food distributor and processor, yesterday maintained its strong growth record with a 65 per cent increase in pre-tax profits to £74.42m ($146m) in the year to August 31.

Sales rose 25 per cent to £1.04bn. Although both turnover and profits were boosted by acquisitions, earnings per share increased by 21 per cent to 9.81p.

Mr Tony Millar, executive chairman, said he was continuing the strategy of building a broadly-based international food service and distribution group.

The results reflected the group's ability to achieve further profitable growth in each of its areas of operations against the background of a more difficult economic climate. The group was developing significant shares in its chosen European markets which complemented the hold it had in the south-east and on the west coast of America.

Albert Fisher is sitting on £93m cash after a £180m rights issue in December. The issue was underwritten by Corporate Partners, a $1.6bn US investment fund which is an associate of Lazard Frères, the UK merchant bank.

Given its track record, Albert Fisher has been identified as a possible buyer of parts of Dole Food in the US, the world's largest trader and marketer of fresh fruit and vegetables, or Del Monte Tropical, the Florida-based fruit business which is part of the troubled Polly Peck International group.

Yesterday Mr Millar would say only that he would consider any acquisition opportunity that came up in his sector, but would not be prepared to do a deal which would dilute the company's earnings. He added: "The board is confident that 1991 will be another year of good underlying progress and acquisitional development for Albert Fisher.

"Whilst the general economic climate has deteriorated in recent months, Albert Fisher is positioned to continue to benefit from the consumer trend towards healthy eating and from its strong balance sheet and cash position."

Operating margins improved from 5.4 to 6.2 per cent. A final dividend of 1.85p lifts the total by 22 per cent to 3.35p.

European operations had a successful year. Pre-tax operating profits of £46.69m showed an underlying organic growth rate of 22.1 per cent. Continental European activities contributed £26.57m, a rise of 24.8 per cent. Operating profits in the US grew by 18.3 per cent to £21.25m.

Lex, Page 20

Rothschilds venture capital fund takes 52% stake in Lugli

By **Haig Simonian** in Milan

OLD COURT Italian Ventures, the $30m Italian venture capital fund set up last year by Rothschilds, the UK merchant bank, has completed its first deal with the purchase of a 52 per cent stake in Lugli, one of Italy's leading fork-lift truck makers.

The transaction may herald further rationalisation in an industry which remains characterised by a large number of relatively small manufacturers producing highly specialised equipment.

Lugli, Italy's third biggest fork-lift truck maker after Fiat and Cesab, a privately-owned group, expects sales to exceed L51bn this year.

The company, which has 200 employees, has been consistently profitable, with widening margins this year, according to Mr Richard Katz, the managing director of Rothschild Italia.

No price for the deal has been disclosed. However, Europa Investimenti, the Italian venture capital boutique set up by five ex-Citibank employees, which works as Rothschilds' exclusive adviser, has also taken a stake in the venture.

Although they are facing growing international competition, many of Italy's 50-odd fork-lift truck makers, which are clustered around Modena, the home of Ferrari, have found niche markets for specialised products requiring high quality and reliability.

Some 30 per cent of Lugli's range, which has carrying capacities from 1.3 to 10 tonnes, are exported.

"We believe Lugli has good internal growth potential. But the other strategic area for growth is by acquisition or agreement with producers of complementary materials handling equipment," said Mr Giuseppe Turri, Europa Investimenti's executive director.

Mr Alberto Lugli, the son and nephew of the company's two founding brothers, will stay on as managing director.

Axa-Midi falls sharply on huge storm damage claims

By George Graham in Paris

AXA-MIDI Assurances, the French insurance group managed by Mr Claude Bébéar, has reported a sharp drop in first-half profits under the combined impact of heavy storm damage and poor market conditions in several European countries.

The company yesterday announced net profits of FFr689m (US$135m), down 16 per cent from the same period of 1989, on turnover 7 per cent higher at FFr20.8bn.

Mr Bébéar said fierce storms earlier this year had cost Axa nearly FFr330m in insurance pay-outs, and the group had also faced difficulties in Belgium, Italy and Spain.

Belgium had seen a deterioration in results on work accident insurance, while the Italian motor insurance market has been very difficult. In Spain, Mr Bébéar said insurance companies had suffered what he called "juridical inflation", as a result of a sharp and unforeseeable leap in the compensation awarded by the lawcourts for death or injury.

Axa also unveiled the final stage in the three-year overhaul of its complex organisation, the result of a sequence of takeovers which had left it with a multitude of different companies each doing the same thing, and with a top heavy network including one in every five tied insurance agents in France, compared with a market share estimated at 8 per cent.

Claude Bébéar: storms cost nearly FFr330m in pay-outs

The group will now be organised into three separate groups, divided by distribution technique: Axa Assurances, dealing through tied agents; Uni Europe, selling to brokers; and Alpha Assurances, covering direct sales and specialised outlets.

At the same time, Axa is to carry out the juridical side of this reorganisation by merging the listed holding company Compagnie du Midi with its main asset, Axa-Midi Assurances, on the basis of one Midi share for four Axa-Midi. Midi will then absorb three listed shell companies, Paternelle, Drouot and Vie Nouvelle, and be renamed Axa.

The new Axa is expected to have full-year group profits, including minorities, around 10 per cent higher than the FFr3.6bn recorded by the old Midi in 1989. Attributable profits should advance considerably more than this, because minority shareholders will be absorbed into the parent company.

Lex, Page 20

Greek banks to shed units in sell-off programme

By Kerin Hope in Athens

TWO STATE-OWNED Greek banks have announced plans to sell industrial and food-processing companies they control under the conservative government's privatisation programme.

Commercial Bank said yesterday it is putting both Eleusis Shipyards, a shipbuilding and repair yard, and Halkis Cement, a cement producer, up for sale.

The shipyard earned $47m last year from repairs and is now building landing craft for the Greek Navy, but reported losses of Dr6.5bn ($40m) for 1989. Its accumulated debt totals Dr24bn, according to Commercial Bank officials.

Halkis Cement has accumulated debts of Dr57bn. However, both companies are attracting interest from both Greek and foreign investors on the understanding that a large proportion of debt would be written off if they are sold, the officials said.

Offers are currently being evaluated for the Bank of Piraeus, a subsidiary of Commercial Bank which has assets of Dr21bn but last year reported a Dr97m loss, the officials said.

Agricultural Bank intends to sell its holdings in 35 companies, of which it controls 22. They include dairies, meat processing plants, a winery and several forestry products and feedstuff companies.

Most reported losses last year, but the food processing companies are expected to draw offers from larger Greek dairy and meat producers seeking to expand before 1992.

"Our intention is to become a retail-oriented bank as early as possible, so the companies portfolio must be unloaded," said Mr Haris Demetriadis of Agricultural Bank's privatisation unit.

The state-owned banks, which control more than 80 per cent of Greek banking, are expected to sell or liquidate more than 150 companies they control over the next two years.

The government has already laid down guidelines for privatisation of state-controlled companies.

Saab-Scania climbs by 35% with solid aerospace element

By John Burton in Stockholm

SAAB-SCANIA, the Swedish vehicle and aerospace group, yesterday reported a 35 per cent increase in profits to SKr1.35bn (US$240m), after financial items, while sales increased by 4 per cent to SKr19bn. It predicted that earnings will be "considerably" above last year's figure of SKr1.5bn.

The profit growth reflected a 29 per cent sales increase to SKr3bn for the aerospace division, which only two years ago was suffering losses due to sizeable development spending on combat and commuter aircraft.

The creation of Saab Automobile as a 50/50 joint venture between Saab-Scania and General Motors has also reduced the company's exposure to losses in its car operations, which reported this week a deficit of SKr2.1bn for the eight-month period.

Saab-Scania's pre-tax profits of SKr3bn, a 200 per cent rise, were boosted by a capital gain of SKr1.7bn it received for selling half of the car division to GM in a $600m deal.

Saab-Scania said total firm orders for its Saab 340 commuter aircraft and its larger planned successor, the Saab 2000, now amount to SKr8bn with another SKr10bn in options reflecting strong growth in the regional airline industry worldwide. Deliveries of the Saab 340 are expected to increase by 50 per cent this year to 47 aircraft.

It warned, however, that profit growth in the aerospace sector could be affected if the JAS 39 multirole combat aircraft confronts any more technical problems during its development phase, which is nearing completion.

Sales of Scania trucks and buses climbed by 5 per cent to SKr11.6bn due to lower demand, particularly in Western Europe, resulting from the Gulf crisis and higher inflation and interest rates.

Total Scania sales, which includes distribution sales for imported cars in Sweden, increased by 2 per cent to SKr3bn. But it added that profits and the earnings margin for the Scania division "remain on a high level", although there has been a decrease due to falling deliveries of trucks and buses and tougher price competition.

Combitech, the defence and space technology division, saw profit fall 21 per cent to SKr978m due to fewer orders for defence equipment.

Amer Group first-half profits drop to FM66m

By Enrique Tessieri in Helsinki

AMER GROUP, a Finnish consumer products manufacturer and wholesaler, yesterday reported a sharp drop in its first-half pre-tax profits to FM66m ($18m) from FM162m the previous year.

Operating profit before depreciation also saw a drop during the six months to August, falling to FM255m from FM370m. Consolidated net sales fell to FM4.02bn from FM4.07bn. Earnings per share took a sharp drop to FM3.5 from FM8.6.

Amer blamed the fall in pre-tax profits on its car sales division, which sold 12,600 fewer cars in the six months and whose sales fell by 1 per cent to FM1.49bn.

Amer estimates that pre-tax profits for the year to February will drop from the FM208m in 1989-90. Consolidated net sales for the year are expected to reach around FM8.18bn, or the same level as in 1989-90.

Among other Finnish companies reporting interim results, Wärtsilä, a diesel, securities and sanitary equipments group, said profits before extraordinary items fell during the first eight months of this year from FM255m to FM229m.

Operating profit also fell to FM200m from FM221m, while consolidated sales rose to FM3.07bn (FM2.28bn). Earnings per share fell to FM20 from FM26.

Valmet, the state-owned paper machinery and engineering group, announced a sharp drop in its pre-tax losses during the first eight months of this year from FM275m to a loss of FM45m.

Air France posts loss of FFr263m in first half

STATE-owned Air France said it posted a group loss of FFr263m (US$51m) in the first half of 1990 after accounting for the results of recently-purchased airline units UTA and Air Inter, AP-DJ reports.

The loss compared to net profit of FFr83m in the year-earlier half, but the company noted that the figures were not structurally comparable. First-half consolidated revenue rose to FFr27.7bn from FFr19.2bn.

The company said in September that Air France, less UTA and Air Inter, was in deficit by FFr170m during the first half, hurt by sluggish passenger traffic growth, higher fuel costs and adverse foreign exchange fluctuations.

Yesterday, Air France said it expects full-year 1990 results to reflect a continued deterioration in the airline business as the impact of higher oil prices takes its toll on the market.

Continental says Pirelli approach a 'definite offer'

By Andrew Fisher in Frankfurt

CONTINENTAL, the German tyre company, said yesterday that the takeover approach from Pirelli last month had contained a definite offer and had not been just a basis for discussion as the Italian company stated earlier this week.

Pirelli had accused Continental of misrepresenting its proposals and had denied that it had ever set out concrete terms for its merger plan. Mr Andrea Travelli, Pirelli's finance director, said it had suggested that the question of a valuation be left to independent accountants.

The German company said that Pirelli's proposals did mention a definite price of between DM1.85bn and DM2.25bn for the sale of its tyre activities to Continental as part of the merger.

Continental thus stood by its assertion of three weeks ago that this would increase indebtedness and weaken the joint company financially in the event of an amalgamation.

Continental also then rejected Pirelli's argument that a merger could produce synergies of up to DM400m a year after four years, stating that this would amount to two-thirds of last year's record profits of both companies.

It also said the high debt level implied by the Pirelli proposal would restrict future ability to invest.

● Société Internationale Pirelli, the Basle holding company affiliated to the Italian Pirelli group, increased group net profits for the year to June 30 to SFr77m (US$60.2m) compared with SFr73.5m in the previous year.

The company announced an unchanged dividend of SFr12 per share and participation certificate.

Ferruzzi makes move into television broadcasting

By John Wyles in Rome

MR RAUL GARDINI'S Ferruzzi group yesterday declared that it now regarded communications as one of its "strategic" sectors, after it completed a L80bn ($712m) deal which for the first time will take it into television broadcasting.

Mr Carlo Sama, Ferruzzi's director responsible for publishing, revealed yesterday that he is to become president of Telemontecarlo (TMC) as a result of the group's purchase of 40 per cent of Globo Europa, the Amsterdam-based holding company which controls the television company.

This leaves the Brazilian communications group Globo, controlled by the Marinho family, holding 49 per cent of Globo's capital, with the balance to be parcelled out among unidentified European investors.

Ferruzzi and Globo have agreed to give each other the first option to purchase the other's stake. They will jointly agree on the identities of the minority investors.

Ferruzzi's decision to join Globo, which retains management control of TMC, suggests to some analysts an ambition to establish a third television "pole" in competition with the Italian state service, the RAI, and Mr Silvio Berlusconi's three networks.

Nobel merges weapons arm with FFV unit

NOBEL Industries yesterday announced that it would merge the weapons section of its Bofors defence division into a new joint company with FFV, the Swedish state-run engineering concern, to increase its concentration on its core chemicals business, writes John Burton in Stockholm.

Nobel, which yesterday reported a 21 per cent rise in profits after financial items to SKr803m (US$142m) for the first eight months of 1990, has been gradually reducing its dependence on armaments since it was taken over by Mr Erik Penser, the Swedish financier, in 1984. Defence sales now account for 20 per cent of business, compared with almost 80 per cent six years ago.

Bofors has not only suffered from falling defence orders, but has been at the centre of several arms smuggling and bribery scandals dating from the 1980s that have distracted management attention from the rest of the company.

The merger between Bofors and FFV is part of a gradual reorganisation of the Swedish defence industry in response to a defence budget freeze at home and falling orders abroad.

RVI names chief at Mack

RENAULT Véhicules Industriels (RVI), the commercial vehicles subsidiary of Renault of France, has moved quickly to reorganise the top management of Mack Trucks, its heavily loss-making US truck subsidiary with the appointment of Mr Elios Pascual as chairman and chief executive, writes Kevin Done.

Mr Pascual, 50, currently RVI public affairs and administration director, replaces Mr Ralph Reins who resigned as Mack chairman and chief executive earlier this week.

Mr Reins is to become president of the automotive group of United Technologies.

RVI said restructuring of the US heavy truck maker was the group's "top priority".

Spanish bank jumps 36% to Pta18.56bn

GRUPO Banco Exterior of Spain yesterday reported consolidated pre-tax profit jumped 36 per cent in the first nine months of 1990 to Pta18.46bn (US$194m) from Pta13.57bn a year earlier, AP-DJ reports.

Net interest income rose by 13.8 per cent to Pta81.60bn, the state-controlled banking group said.

ergo		FREEGOLD	OFSIL	SALES	VR	WELKOM	
East Rand Gold and Uranium Company Limited	Elandsrand Gold Mining Company Limited	Free State Consolidated Gold Mines Limited	Orange Free State Investments Limited	The South African Land & Exploration Company Limited	Vaal Reefs Exploration and Mining Company Limited	Welkom Gold Holdings Limited	Western Deep Levels Limited

- **Freegold operating profit improves significantly.**
- **Vaal Reefs increases gold production.**
- **Ergo acquires new reserves.**
- **Western Deep Levels and Elandsrand post steady performances.**

Abridged quarterly and interim reports – Dividend declarations

Abridged reports for the quarter ended September 30 1990

Freegold

Issued Capital in shares of 50 cents each: 116 179 121 ordinary and 1 479 383 S ordinary shares

The following are the results of the company and its wholly-owned operating subsidiary, Free State Consolidated Gold Mines (Operations) Limited.

	Quarter ended Sept. 1990	Quarter ended June 1990	Six months ended Sept. 1990
Gold			
Area mined – m²000	1 040	960	2 000
Tons milled 000	6 588	6 439	13 027
Yield – g/t	4.50	4.09	4.29
Production – kg	29 616	26 327	55 943
Cost – R/ton milled	125.76	120.69	123.26
– R/kg produced	27 970	29 518	28 702
Price received on gold sales – R/kg	32 717	31 501	32 095
Metallurgical Scheme			
*Slimes treated – tons 000	3 652	3 905	7 557
Uranium oxide produced – kg	31 576	38 685	70 261
Gold produced – kg	730	640	1 370
Acid produced – tons	97 362	104 742	202 104
	R million	R million	R million
Turnover	999.4	864.0	1 863.4
Profit before taxation	158.9	62.0	220.9
Provision for taxation	16.2	9.3	25.5
Profit after taxation	142.7	52.7	195.4
Appropriation for capital expenditure after loan finance	62.5	66.9	129.4
Profit/(loss)	80.2	(14.2)	66.0
Interim dividend			64.7
Increase in retained profit			1.3
Earnings/(loss) per share – cents	68	(12)	56
Capital expenditure – R million	63.6	72.3	135.9

*Includes material from St. Helena slimes dams

Note:
Orders placed and outstanding on capital contracts as at September 30 1990 totalled R59.8 million.

Ergo

Issued Capital in shares of 50 cents each: 42 078 712 ordinary and 5 521 574 (previously 3 500 521) S ordinary shares

	Quarter ended Sept. 1990	Quarter ended June 1990	Six months ended Sept. 1990
Material treated – tons 000	9 645	9 460	19 105
Gold production – kg	2 899	2 844	5 743
Uranium production – kg	25 691	25 715	51 406
Acid production – tons	131 900	127 790	259 690
Price received on gold sales – R/kg	31 608	31 667	31 641
	R000	R000	R000
Turnover	103 013	104 163	207 176
Profit before taxation	13 882	18 136	32 018
Ergo division	6 343	11 924	18 267
Daggafontein division	6 533	6 052	12 585
Simmergo division	1 006	160	1 166
Provision for taxation	91	2 503	2 594
Profit after taxation	13 791	15 633	29 424
Appropriation for capital expenditure	7 168	5 735	12 903
Profit available	6 623	9 898	16 521
Interim dividend			16 660
Decrease in retained profit			139
Earnings per share – cents	14	21	35
Capital expenditure – R000	6 711	5 631	12 342

Notes:
1. As announced on September 26 1990 the company acquired from Gold Fields Property Company Limited (G F Props) two permits which entitle the company to treat material on slimes dams 7/L/9 and 7/L/8. These dams contain an estimated 13 million and 11 million tons of material with gold grades of the order of 0.52 and 0.34 grams per ton, respectively. The purchase consideration of R19.2 million was used to subscribe for 2 021 053 S ordinary shares in the company, which shares will qualify for the interim dividend declared on October 18 1990. The calculation of earnings and dividends per share have, accordingly, been based on the increased share capital. It is proposed to treat the material at the Daggafontein plant, the life of which will be extended by approximately two years. An agreement has been concluded with East Daggafontein Mines Limited in terms of which they will acquire for R9.6 million a 50 per cent interest in the above slimes dams.
2. Orders placed and outstanding on capital contracts as at September 30 1990 totalled R1 913 000.

Vaal Reefs

Issued Capital in shares of 50 cents each: 19 000 000 ordinary and 105 391 S ordinary shares

	Quarter ended Sept. 1990	Quarter ended June 1990	Nine months ended Sept. 1990
Gold			
Area mined – m²000	522	513	1 532
Tons milled 000	2 920	2 700	8 304
Yield – g/t	6.44	6.67	6.58
Production – kg	18 797	18 008	54 623
Cost – R/ton milled	151.05	157.57	155.86
– R/kg produced	23 465	23 670	23 694
Price received on gold sales – R/kg	31 799	31 422	32 355
Uranium oxide			
Tons treated 000	1 944	2 284	6 503
Yield – kg/t	0.21	0.18	0.19
Production – kg	417 898	419 601	1 267 437
	R million	R million	R million
Turnover	619.6	613.6	1 850.0
Profit before taxation	132.2	141.0	420.0
Provision for taxation	11.7	3.5	40.8
Profit after taxation	120.5	138.0	379.2
Appropriation for capital expenditure	88.8	106.2	254.9
Profit available	31.7	31.8	124.3
Dividends – interim of 485 cents per share paid on September 14 1990			92.6
Increase in retained profit			31.7
Earnings per share – cents	166	167	650
Capital expenditure – R million	88.5	104.2	269.2

Notes:
1. The previous quarter's results include a half-yearly dividend from Southvaal Holdings Limited and are therefore not directly comparable with this quarter.
2. Orders placed and outstanding on capital contracts as at September 30 1990 totalled R82.4 million.

Elandsrand

Issued Capital in shares of 20 cents each: 96 619 825 ordinary and 343 634 S ordinary shares

	Quarter ended Sept. 1990	Quarter ended June 1990	Nine months ended Sept. 1990
Area mined – m²000	104	104	310
Tons milled 000	535	583	1 615
Yield – g/t	6.67	6.04	6.32
Production – kg	3 570	3 521	10 207
Cost – R/ton milled	145.66	125.04	137.40
– R/kg produced	21 829	20 703	21 740
Price received on gold sales – R/kg	31 974	31 304	32 300
	R000	R000	R000
Turnover	112 959	110 706	326 518
Profit before taxation	34 223	37 757	104 075
Provision for taxation	522	672	1 447
Profit after taxation	33 701	37 085	102 628
Appropriation for capital expenditure	33 097	36 888	86 676
Profit available	604	197	15 952
Dividends – interim of 15 cents per share paid on *September 14 1990*			14 545
Increase in retained profit			1 407
Earnings per share – cents			
– before appropriation for capital expenditure	35	38	106
– after appropriation for capital expenditure	1	–	16
Capital expenditure – R000	33 097	32 694	91 283

Note:
Orders placed and outstanding on capital contracts as at September 30 1990 totalled R17 930 000.

S.A. Land

Issued Capital in shares of 35 cents each: 9 182 700 ordinary and 131 432 S ordinary shares

	Quarter ended Sept. 1990	Quarter ended June 1990	Nine months ended Sept. 1990
Tons milled 000	584	581	1 762
Yield – g/t	0.70	0.68	0.67
Production – kg	411	395	1 178
Production, transport and screening costs – R/ton milled	18.20	17.67	17.45
– R/kg produced	25 864	25 990	26 097

S.A. Land – continued

	Quarter ended Sept. 1990	Quarter ended June 1990	Nine months ended Sept. 1990
Price received on gold sales			
– R/kg	31 881	31 283	32 222
– $/oz	376	367	384
Turnover	13 157	12 251	37 884
Gold – revenue	13 157	12 251	37 884
– production costs	5 448	5 236	15 638
– transport and screening costs	5 182	5 030	15 104
	2 527	1 985	7 142
Less cost of dump material	1 540	1 174	4 299
Gold profit	987	811	2 843
Net sundry income	374	406	1 129
Profit before taxation	1 361	1 217	3 972
Provision for taxation	424	346	1 261
Profit after taxation	937	871	2 711
Appropriation for capital expenditure	32	37	(174)
Profit available	905	834	2 885
Dividends – interim of 20 cents per share paid on September 14 1990			1 863
Increase in retained profit			1 022
Earnings per share – cents	10	9	31
Capital expenditure – R000	32	37	78

Notes:
1. There were no orders placed or outstanding on capital contracts as at September 30 1990.
2. The results are unaudited.

Western Deep Levels

Issued Capital in shares of R2 each: 27 194 115 ordinary and 510 501 S ordinary shares

	Quarter ended Sept. 1990	Quarter ended June 1990	Nine months ended Sept. 1990
Area mined – m²000	243	225	683
Tons milled 000	1 675	1 616	4 929
Yield – g/t	5.75	5.93	5.79
Production – kg	9 627	9 589	28 534
Cost – R/ton milled	134.52	138.13	135.96
– R/kg produced	23 405	23 279	23 486
Price received on gold sales – R/kg	31 697	31 301	32 329
	R million	R million	R million
Turnover	308.7	298.2	919.6
Profit before taxation	88.2	78.6	264.2
Provision for taxation	2.8	(10.9)	8.1
Profit after taxation	85.4	89.5	256.1
Appropriation for capital expenditure	65.3	68.1	191.4
Profit available	20.1	21.4	64.7
Dividends – interim of 160 cents per share paid on September 14 1990			44.3
Increase in retained profit			20.4
Earnings per share – cents	72	77	234
Capital expenditure – R million	65.3	76.1	199.4

Note:
Orders placed and outstanding on capital contracts as at September 30 1990 totalled R35.1 million.

Abridged interim reports for the six months ended September 30 1990

Welkom

Issued Capital: 35 350 937 ordinary shares of 50 cents each

	Six months ended Sept. 30 1990 R000	Six months ended Sept. 30 1990 R000	Year ended March 31 1990 (Audited) R000
Income from listed investments	13 156	35 881	70 635
Profit before taxation	12 884	35 576	70 205
Taxation	8	–	10
Profit after taxation	12 876	35 576	70 195
Dividends – interim of 36 (September 30 1989: 100) cents per share payable on or about December 14 1990	12 726	35 351	35 351
– final of 98 cents per share paid on June 15 1990	–	–	34 644
Increase in retained profit	150	225	200
Earnings per share – cents	36	100	199

October 18 1990

Ofsil

Issued capital: 22 514 094 ordinary shares of one cent each

	Six months ended Sept. 30 1990 R000	Six months ended Sept. 30 1990 R000	Year ended March 31 1990 (Audited) R000
Income from listed investment	32.3	88.1	173.3
Profit before taxation	32.1	87.9	173.1
Taxation	–	–	0.1
Profit after taxation	32.1	87.9	173.0
Dividends – interim of 143 (September 30 1989: 390) cents per share payable on or about December 14 1990	32.2	87.8	87.8
– final of 378 cents per share paid on June 15 1990	–	–	85.1
Increase in retained profit	(0.1)	0.1	0.1
Earnings per share – cents	143	390	768

October 18 1990

Dividend declarations

Interim dividends

On Thursday, October 18 1990, interim dividends for the year ending March 31 1991 were declared in South African currency payable to holders of the following companies' ordinary and S ordinary shares:

Company	*Dividend number*	*Cents per share*
Ergo	24	35
Freegold	71	55
Ofsil	10	143
Welkom	67	36

	1990
Last day to register for dividends (and for changes of address or dividend instructions)	Friday, November 2
Registers closed from to (inclusive)	Saturday, November 3 Saturday, November 17
Ex-dividend on Johannesburg and London stock exchanges	Monday, November 5
Currency conversion date for sterling payments to shareholders paid from London	Monday, November 5
Dividend warrants posted	Thursday, December 13
Payment date of dividends on or about	Friday, December 14
Rate of non-resident shareholders' tax	15 per cent

The Full conditions relating to the dividends may be inspected at the Head and London offices of the companies and the transfer secretaries.

By order of the boards
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per C.R. Bull
Senior Divisional Secretary

October 18 1990

Notes:
1. Unless otherwise stated all results are unaudited.
2. All companies are incorporated in the Republic of South Africa.
3. The unabridged reports will be posted to members, debenture holders and to persons on the mailing lists and copies are available from the Transfer Secretaries and the Head and London offices.

Share warrants to bearer
Holders of share warrants to bearer issued by Freegold and Ofsil are notified that their dividends are payable on or after Friday, December 14 1990, upon presentation of coupons marked "South Africa" and No. 10 on the side reflecting the share warrant number, at the offices of First National Bank of Southern Africa Limited, Stock Exchange Branch, Diagonal Street, Johannesburg, South Africa; Union Bank of Switzerland, Bahnhofstrasse 45, 8021 Zürich, Switzerland; Credit du Nord, 6 and 8 Boulevard Haussmann, 75009 Paris, France; and Banque Bruxelles Lambert, 24 Avenue Marnix, 1050 Brussels, Belgium, only. Coupons must be left at least four clear days for examination.

TRANSFER SECRETARIES
Consolidated Share Registrars Limited
1st Floor, Edura
40 Commissioner Street
Johannesburg 2001
(PO Box 61051, Marshalltown 2107)

Barclays Registrars Limited
6 Greencoat Place
London SW1P 1PL

HEAD OFFICES
44 Main Street
Johannesburg 2001
(PO Box 61587,
Marshalltown 2107)

LONDON OFFICES
40 Holborn Viaduct
London EC1P 1AJ

Johannesburg
October 18 1990

The unabridged reports will be posted to members, debenture holders and option holders, and to persons on the mailing lists and copies are available from the Transfer Secretaries and the Head and London offices.

AT&T checked by start-up costs of credit card

By Martin Dickson in New York

AMERICAN Telephone & Telegraph, the leading provider of long-distance telephone calls in the US, yesterday announced little change to third-quarter net profits. It said earnings had been held back by the start-up costs of its successful credit card.

The company reported net income of $712m, compared with $699m in the same period of last year, on revenues of $9.35bn up from $8.9bn. Earnings per share were unchanged at 65 cents.

Operating income was *$1.25bn, up 10.9 per cent,* helped by higher product sales, especially in the international market, and a small advance in long-distance revenues. Mr Robert Allen, the chairman, characterised the results as "solid in the face of a softening economy".

The company said the start-up costs for its Universal credit card, which allows users to pay for phone calls, goods and services, had been higher than expected because of unexpected demand.

Only introduced in March, it is now said to be the sixth most popular bank credit card in the US, with more than 5m issued. However, analysts do not expect this popularity to be reflected in the group's profits performance until next year or 1992.

AT&T's overall service revenues, covering long-distance calls, installation, maintenance and financial services, grew 3 per cent to $5.72bn, with *long* distance up 1.5 per cent to $4.99bn.

Call volume was up 7 per cent, led by business and international services, with residential volume showing more modest growth.

Product sales rose 12.7 per cent to $3.08bn, which the company said was due to increased sales of network communications products, computer *systems,* micro-electronic components, consumer products and special design products for the federal government.

Strong international sales, and increased sales to non-Bell companies, were cited as key factors in increased sales of telecommunications network products, which were up 12.2 per cent to $1.74bn.

Sales of communications systems to large business customers were flat, while revenues from sales of equipment to small businesses and data communications equipment were down slightly.

For the nine months net income was $2.04bn or $1.87 a share, on $27.27bn in revenue, against profits of $1.99bn or $1.85, on revenues of $26.81bn a year ago.

American Airlines earnings halved

By Nikki Tait in New York

AMERICAN Airlines, one of the largest US carriers, reported a halving of post-tax profits in the three months to the end of September to $65.6m, and warned that if fuel prices did not fall dramatically it could face a full-year loss.

In the nine months of 1990, American has made net profits of $175.5m.

Mr Bob Crandall, American's chairman, had warned that results for the second half would be "stinko" as the impact of higher fuel prices started to bite.

Added *emphasis* was given to the airline's latest predictions when the Air Transport Association forecast that the US carriers overall could see a loss of $1bn in the final quarter of 1990.

Analysts have been scaling 1990 profits forecasts back sharply because of the Middle East crisis and one leading consultancy has predicted an aggregate loss for the industry of about $1.5bn this year.

Mr Crandall said that the average price of jet fuel increased by 58 per cent during the quarter, from an average of 59 cents per gallon in July to an average of 90 cents in September. Each 1 per cent increase adds $2m a month to expenses, he said. Pointing out that there was a lag before increased costs feed through to ticket price increases – and *that even then higher fares* might curtail demand – he called for governments to "re-examine the wisdom of increased state and federal taxes on aviation fuel".

During the quarter, American saw operating revenues of $3.05bn against $2.73bn, but costs rose to $2.91bn from $2.5bn, with fuel costs rising to $459.1m from $341m. Interest charges also increased to $34.9m from $14.5m.

The passenger load factor during the quarter declined compared with the year-before period, from 68.2 per cent to 65.3 per cent. The after-tax profit gives earnings per share of $1.05, against $2.15.

MCA up 21% as BMG deal nears

By Alan Friedman in New York

MCA, THE US entertainment group in negotiations to be acquired by Matsushita of Japan, yesterday unveiled a 21 per cent rise in its third-quarter net profits, to $61.4m or 71 cents a share.

The company is thought to be close to a deal with BMG, the recorded music subsidiary of Germany's Bertelsmann group, to hand over more than *$100m of its international* record distribution business to BMG.

MCA, which owns Universal Studios in Hollywood and some of the best record labels in the US, said third-quarter revenues were $1.06bn compared with $894m in the same quarter last year.

The company said operating income from its filmed entertainment division was down to $81m from $86.8m in the same period last year.

The retail and mail order business more than doubled its operating losses to $12.7m, while book publishing profits – related to *MCA's G.P. Putnam* subsidiary – tumbled 55 per cent to $4.6m.

The broadcasting and cable division scored a significant gain in operating income, rising from $4.97m to $12.5m.

The biggest gain in operating profits came from the music side of MCA, where profits more than doubled to $42.9m from $19.5m, thanks to the effect of fees earned by MCA as a result of entering into an agreement to form a record company in Japan.

Last spring MCA paid the equivalent of $540m in stock to acquire the David Geffen Company, one of the most successful independent record businesses in the world. Mr Geffen now owns 12 per cent of MCA and stands to increase his fortune substantially if the Matsushita deal goes through.

Mr Geffen's non-US record distribution deal with Time Warner's WEA subsidiary expires in December and MCA's deal with WEA will end next March.

Mr Geffen has confirmed that MCA is holding talks with Bertelsmann's BMG division to replace WEA as European distributor. This deal is expected to be concluded soon.

MCA declined to comment yesterday on the status of its talks with Matsushita of Japan, which might spend up to $7bn acquiring the US company. These talks are likely to continue for several weeks.

West coast economy buoys BankAmerica

By Martin Dickson

BANKAMERICA, the largest bank on the US west coast, yesterday underlined the relative buoyancy of the Californian economy when it announced an 11 per cent increase in third-quarter earnings.

The rise to $283m from $254m in the same period of last year contrasts with the sharply lower earnings being reported by most banks on the depressed east coast of the US and many large regional banks.

Earnings per share were $1.26, up 9 per cent from $1.16. Earlier this week another large Californian bank, Wells Fargo, announced a 6 per cent increase in net income.

The east coast banks have been hit badly by a plunging real estate market. The west coast market is healthier, although property prices there are also declining.

Over the past few years BankAmerica has returned to financial health through strong retail profits and low domestic loan losses.

Mr Richard Rosenberg, chairman, said the third-quarter earnings increase stemmed from a "healthy revenue stream and effective control of expenses".

The balance sheet was also strong, as indicated by its capital position, growth in core deposits, reserve coverage and a further decline in non-performing assets.

Net interest income rose to $1.05bn from $1bn, due mainly to an increase in average earning assets, partially offset by a decrease in the net interest margin.

The bank said the third-quarter *provision* for credit losses was $260m, compared with $170m for the same period a year ago, and the increase related mainly to problem Third World loans.

Non-interest income was up $42m at $504m, mainly due to higher foreign exchange trading profits.

The allowance for credit losses at September 30 was $2.97bn or 3.47 per cent of loans outstanding, compared with $2.86m or 3.56 per cent at the end of June, and $3.60 or 4.94 per cent a year earlier.

Net credit losses in the quarter were $62m, compared with $24m a year earlier. Non-per*forming assets* at the end of September were $3bn, down from $3.1bn in June and $4.1bn a year before. Domestic real estate loans on a non-performing basis totalled $346m, up from $310m in June but down from $370m a year before.

Another tumble of 50% at Dow Chemical

By Alan Friedman

DOW CHEMICAL, the second largest US chemicals group, yesterday blamed soaring oil costs and the faltering US economy for its 52 per cent slide in third-quarter net earnings.

The $282m net, which translates into earnings per share of $1.04, compares with $589m in the same period last year.

The poor results, which follow a 50 per cent drop in second-quarter earnings, were struck on sales 16 per cent higher at $4.9bn. Operating income was $664m, down by 28 per cent.

Wall Street, expecting even worse figures, marked Dow's share price $1⅛ higher yesterday morning, to $41⅛, in a rising market.

Dow said overall prices increased more than 5 per cent from the second quarter, and manufacturing costs were also higher because of increased raw material and energy costs.

Mr Enrique Falla, Dow's vice president *for* finance, said that although pricing initiatives had been in place since the end of September to offset the increased raw material costs, "soft industry fundamentals may deny total recovery".

Apart from citing the oil crisis, Dow also complained of greater global economic vulnerability, saying it had postponed several capital projects and intensified its expense-control programme.

Primerica ahead on flat revenue

By Nikki Tait

PRIMERICA, the US financial services conglomerate, yesterday reported a 20 per cent increase in third-quarter profits to $94m after tax, from $78.3m in the same period a year earlier. Earnings per share, however, hovered at 82 cents against 80 cents.

Revenues in the three-month period were $1.5bn, compared with $1.47bn in 1989.

The company said its consumer and insurance services operations had helped cushion the impact of "cyclical results" from the Smith Barney brokerage businesses, and expected these former divisions to continue delivering "sizeable and growing earnings contributions".

However, Mr Sandy Weill, chief executive, also warned: "We intend to continue evaluating all our businesses in the difficult environment ahead and will make whatever adjustments become necessary to sustain profitability."

On the consumer services side, there was an improvement to $48m from $39.1m after tax, although comparisons were distorted by the acquisition last March of Barclays American/Financial.

On the insurance services front, Primerica made $64.8m against $53.9m after minority interests last year. This, however, masked a decline in the speciality life and health operations, but an improvement on the property and casualty side.

In investment services, earnings declined to $15.5m from $27.1m, with Smith Barney making $11.2m against $21.2m before goodwill write-offs.

ITT earnings per share climb

By Barbara Durr in Chicago

ITT CORPORATION reported a net income gain for the third quarter of just 1 per cent to $224m, marginally up from $221m a year ago.

Per-share earnings, however, rose 12 per cent to $1.63 from $1.46 last year, boosted by the company's aggressive share buy-back programme.

Income was hit in the latest quarter by a *$26m after-tax* charge – 19 cents per fully diluted share – for a write-off of loans to a hotel.

Consolidated sales and revenues from ITT's diverse empire were $5bn for the quarter, up slightly from $4.9bn in 1989.

The per-share gain pleased Wall Street, where ITT shares were up 1¾ to $42¼ in mid-morning trading.

Mr Jack Kelly at Goldman Sachs said: "Given the uncertain environment for corporate earnings, ITT's ability to deliver a positive comparison in the third quarter is being viewed *favourably.*"

For the nine months ended September 30, net income was up 31 per cent to $874m from $664m in 1989, and earnings per share increased to $6.61 from $4.65, a gain of 42 per cent.

Sales edged ahead to $15.1bn from $14.9bn.

The nine-month figures include a gain of $139m or 99 cents per share from the company's sale in June of 7 per cent of its stake in Alcatel, the European joint venture of ITT and Compagnie Générale d'Electricité of France. In the first quarter, ITT also gained $47m *or 33 cents on the sale of its* investment in CGE.

Mr Rand Araskog, ITT chairman, appears to have no plans to reduce the company's 30 per cent stake in Alcatel, a major contributor to earnings.

Consulting lifts Arthur Andersen

By David Waller

ARTHUR ANDERSEN, the international accountancy and consultancy firm, yesterday reported revenues up 23 per cent to $4.16bn from $3.38bn in the year to the end of August.

The most impressive growth came from Andersen Consulting, where revenues rose 30 per cent to $1.88bn.

The firm's accounting, audit and tax activities grew by 18 per cent, to $2.28bn from $1.94bn.

Although the bulk of the firm's revenues come from the US, reflecting Andersen's historical roots, the engine of growth last year was Europe, where revenues were up to $1.36bn from $977m, an increase of 39 per cent.

Mr Larry Weinbach, the firm's managing partner and chief executive, said the figures vindicated the decision nearly two years ago to split itself into two separate business units, Andersen Consulting and Arthur Andersen & Co.

The firm split following mounting tensions between the consultancy side of the business and the traditional activities in the slower growing, but less capital-intensive activities in audit and tax.

The firm, still a single partnership worldwide despite the reorganisation, does not publish profits figures, but provided two indicators of productivity: revenues per partner went up to $1.76m from $1.59m, while revenues per professional went up to $100,000 from $87,000.

Bowater Inc income falls by a third

BOWATER Inc, the largest US producer of newsprint, suffered a 33 per cent drop in third-quarter net income, due to pricing pressures, the slowing economy and continuing operating problems at two plants, writes Martin Dickson.

The company reported net income of $23.7m or 63 cents a share on sales of $346.6m, compared with net income of $35.5m or 95 cents on sales of $360.1m in the third quarter of *last year.*

The US newsprint market has suffered heavy discounting for much of this year, although Bowater followed rivals and pushed through a price increase in June.

But Mr A.P. Gammie, the chairman, said the improvement had not been enough to offset operating problems at a pulp mill in Nova Scotia, which is being modified, and a bleached kraft mill in Tennessee, both of which have been plagued with start-up difficulties.

Pulp prices continued to weaken on world markets although company volumes had been improved by an increasing stream of product from the Tennessee mill.

Coated paper sales were little changed, while the slowing economy and increased paper costs reversed profitability gains in communications papers.

● Georgia-Pacific, the US forest products group, saw earnings fall to $95m or $1.11 a share for the third quarter, compared with $178m or $2.03, Reuter reports.

The group said the acquisition of Great Northern Nekoosa helped to lift sales to *$3.43bn from $2.65bn. Great* Northern was acquired this year in a deal worth about $3.5bn.

Chief executive of Dow Jones to retire next year

By Alan Friedman

MR WARREN Phillips, chairman and chief executive of Dow Jones, the publisher of the Wall Street Journal, says he plans to step down as chief executive on January 1 and as chairman next July after 43 years with the company.

Mr Phillips, who has been chief executive since 1975, will be succeeded in January by Mr Peter Kann, the company's president and chief operating officer. It is thought likely that Mr Kann will become chairman.

Mr Kann has been publisher of the Journal since early 1989, a post he will combine with chief executive. He will be succeeded as chief operating officer by Mr Kenneth Burenga, currently a senior vice-president and general manager of Dow Jones.

Dow Jones last week reported a 41.4 per cent fall in its third-quarter operating profits, to $41.9m. After-tax profits were 17.5 per cent lower at $23.8m.

● Gannett, the largest US media concern, reported operating income down 9 per cent to $150.6m in the third quarter and net earnings down by 4.5 per cent to $79.4m. or 50 cents a share.

● Dun & Bradstreet, the business information, credit rating and marketing conglomerate, yesterday unveiled a 10 per cent drop in third-quarter net profits to $139.7m. The decline occurred despite an 11.2 per cent increase in revenues, to $1.16bn.

Third-quarter fall at General Dynamics

GENERAL Dynamics, the *second largest US defence contractor,* announced a 10 per cent drop in third-quarter net income, due mainly to a reduced rate of earnings from the F-16 fighter aircraft programme, writes Martin Dickson.

The company reported net earnings of $68.5m or $1.63 a share on sales of $2.5bn, against earnings of $76.5m or $1.83 a share on $2.5bn of sales in the same period last year.

Waste Management ahead

WASTE MANAGEMENT, one of the biggest US solid waste management companies, yesterday reported strong growth in third-quarter net income and revenues, writes Karen Zagor.

For the three months ended September 30, Waste Management had net income of $166.2m or 35 cents a share against $151.8m or 33 cents a year ago. Excluding an extraordinary charge of $24.5m or 5 cents a share in the latest quarter, net earnings advanced *26 per cent.*

For the first nine months, Waste Management's net income rose 20 per cent to $489.1m or $1.04 a share, compared with $409.2m or 89 cents last year. Excluding the one-time *charge,* net *profits* climbed 25 per cent.

In September, Waste Management increased its holding in Wheelabrator Technologies to 55 per cent from 22 per cent.

Mr Dean Buntrock, chairman and chief executive, said: "Waste Management is enjoying an outstanding year, with each of our primary businesses units expanding their operations and improving their *performance. These results are* in line with our expectation that we will have another excellent year."

CanPac unit cuts dividend

Canadian Pacific Forest Products, the pulp and paper arm of Canadian Pacific, has cut its quarterly dividend to 10 cents a share from 20 cents in the face of steeply falling profits, writes Robert Gibbens.

Third-quarter earnings were only C$1m (US$1.16m) or 2 cents a share against $45m or $1.03 a year earlier. Sales were $605m against $707m.

Nine months' profit was $12.4m or 28 cents, down from $183.1m or $4.17. Sales were *$1.8bn against $2.1bn.*

The company blamed lower pulp shipments and prices, and the high Canadian dollar.

The Republic of Venezuela

Notice

to the holders of the

U.S. $166,000,000

Floating Rate Notes Due 1994

of

The Republic of Venezuela

NOTICE IS HEREBY GIVEN that at a Meeting of the holders (the "Noteholders") of the above mentioned Notes adjourned to 17th October, 1990, the resolution set out in the Notice of Meeting dated 20th September, 1990 and published in the *Financial Times* and the *Luxemburger Wort* on that date was duly passed by the requisite majority as an Extraordinary Resolution of the Noteholders.

A copy of the Extraordinary Resolution is available for inspection by Noteholders at the specified offices of the Fiscal Agent and the other Paying Agents, the addresses of which are set out below.

Reference is made to the announcement made in the *Financial Times* and the *Luxemburger Wort* on Thursday 11th October, 1990 to the effect that credit enhancement will be provided for the Notes and to the Supplementary Explanatory Statement referred to in that announcement. The pre-conditions to the provision of such credit enhancement have been met.

FISCAL AGENT AND PRINCIPAL PAYING AGENT
The Chase Manhattan Bank, N.A.
Woolgate House, Coleman Street, London EC2P 2HD

PAYING AGENTS
Banque Bruxelles Lambert S.A.
24 Avenue Marnix, B-1050 Brussels
Chase Manhattan Bank (Switzerland)
63 Rue du Rhône, CH-1204 Geneva
Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis, L-2338 Luxembourg-Grund, Luxembourg

Dated 19th October, 1990

The Chase Manhattan Bank, N.A. for and on behalf of the Republic of Venezuela

The Republic of Venezuela

Notice

to the holders of the

U.S. $167,000,000

Floating Rate Notes Due 1998

of

The Republic of Venezuela

NOTICE IS HEREBY GIVEN that at a Meeting of the holders (the "Noteholders") of the above mentioned Notes adjourned to 17th October, 1990, the resolution set out in the Notice of Meeting dated 20th September, 1990 and published in the *Financial Times* and the *Luxemburger Wort* on that date was duly passed by the requisite majority as an Extraordinary Resolution of the Noteholders.

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Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis, L-2338 Luxembourg-Grund, Luxembourg

Dated 19th October, 1990

The Chase Manhattan Bank, N.A. for and on behalf of the Republic of Venezuela

The Republic of Venezuela

Notice

to the holders of the

U.S. $167,000,000

Floating Rate Notes Due 2003

of

The Republic of Venezuela

NOTICE IS HEREBY GIVEN that at a Meeting of the holders (the "Noteholders") of the above mentioned Notes adjourned to 17th October, 1990, the resolution set out in the Notice of Meeting dated 20th September, 1990 and published in the *Financial Times* and the *Luxemburger Wort* on that date was duly passed by the requisite majority as an Extraordinary Resolution of the Noteholders.

A copy of the Extraordinary Resolution is available for inspection by Noteholders at the specified offices of the Fiscal Agent and the other Paying Agents, the addresses of which are set out below.

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Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis, L-2338 Luxembourg-Grund, Luxembourg

Dated 19th October, 1990

The Chase Manhattan Bank, N.A. for and on behalf of the Republic of Venezuela

Notice

Shimano Industrial Co., Ltd.

(the "Company")

Bearer Warrants to subscribe for shares of common stock of the Company issued with

U.S. $50,000,000

3¾ per cent. Guaranteed Notes due 1992

Adjustment of Subscription Price

Notice is hereby given that as a result of the issuance of U.S. $200,000,000 5 per cent. Notes due 1994 with warrants of the Company on 12th October, 1990 with the initial subscription price per share of Yen 2,829 determined on 1st October, 1990 being less than the current market price of Yen 3,637 per share as at that date, the Company adjusted the subscription price of the captioned warrants as follows:

1.	Subscription price before adjustment	Yen 924 per share
2.	Subscription price after adjustment	Yen 903.10 per share
3.	Effective date of the adjustment	12th October, 1990 (Japan time)

SHIMANO INDUSTRIAL CO., LTD.
3-77, Oimatsucho, Sakai,
Osaka, Japan.

By: The Daiwa Bank, Limited
as Principal Paying Agent

19th October, 1990

NOTICE TO HOLDERS OF CONVERTIBLE BONDS OF AND WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF

NIKON CORPORATION

U.S.$25,000,000
5¾ per cent. Convertible Debentures Due 1992
("Convertible Debentures Due 1992")

U.S.$60,000,000
4 per cent. Convertible Bonds Due 1999
("Convertible Bonds Due 1999")
and
U.S.$300,000,000
4 per cent. Notes with Warrants Due 1993
("Notes with Warrants Due 1993")

Further to our notice on 9th October, 1990, regarding the issuance of Notes with Warrants of the Company and the consequential adjustment, the Conversion Prices and the Subscription Price were adjusted, effective as from 16th October, 1990, as follows.

1) Conversion Prices and Subscription Price before the adjustment:

Convertible Debentures Due 1992	Yen 402.60
Convertible Bonds Due 1999	Yen 955.90
Notes with Warrants Due 1993	Yen 1,528.00

2) Conversion Prices and Subscription Price after the adjustment:

Convertible Debentures Due 1992	Yen 398.90
Convertible Bonds Due 1999	Yen 947.10
Notes with Warrants Due 1993	Yen 1,514.00

NIKON CORPORATION

By: The Bank of Tokyo Trust Company as Fiscal Agent for Convertible Debentures Due 1992

By: The Mitsubishi Bank, Limited as Principal Paying Agent for Convertible Bonds Due 1999 and Notes with Warrants Due 1993

19th October, 1990

US$100,000,000

MARINE MIDLAND BANKS, INC

FLOATING RATE SUBORDINATED CAPITAL NOTES due 1999

For the three months 19th October 1990 to 22nd January 1991 the Note will carry an interest Rate of 8⅛ per cent per annum with a Coupon amount of US$224.31 per US$10,000. Interest payment date 22nd January 1991.

HONGKONGBANK LONDON LIMITED
INTEREST DETERMINATION AGENT

INTERNATIONAL COMPANIES AND FINANCE

Freegold recovery buoys Anglo American gold mines

By Philip Gawith in Johannesburg

A RETURN to more normal levels of profitability by Freegold, the world's largest gold mine, was the main reason for the gold mines in South Africa's Anglo American group recording improved profits in the September quarter.

Despite this improvement, Mr Clem Sunter, chairman of Anglo's gold and uranium division, stressed that the industry continued to experience a very serious profit squeeze.

He said the determination of the Reserve Bank, the South African central bank, to defend the value of the currency had removed the cushion provided by a depreciating currency.

Mr Sunter said the mining industry's future health depended critically upon breaking the cycle of inflationary expectations which persisted in the country.

He noted that the gold price in 1986 had been in the region of R27,000/kg compared to its current level of just under R30,000/kg.

Over the same period the industry's cost of wages had risen by nearly 100 per cent and the cost of stores had increased by between 60 and 100 per cent.

"If our survival is threatened it will have a very serious ripple effect on the economy," said Mr Sunter, adding that the industry would have to investigate new relationships with fellow stakeholders such as unions, suppliers and contractors in order to ensure its continued viability.

Mr Lionel Hewitt, general manager of the division, said operations during the quarter had been adversely affected by two accidents, which cost 31 lives, and further industrial action.

He said Freegold had lost approximately 20,000 shifts, largely through white miners refusing to go underground after a colleague of their's was murdered at President Steyn mine.

Freegold profited from reduced levels of industrial unrest and a policy of mining higher-grade areas to lift gold production significantly to 29,616kg (from 26,327kg).

Lower costs, down at R27,976/kg (R29,518/kg) of gold produced, and a 4 per cent increase in the rand gold price combined to turn the June quarter's R14.2m loss after tax and capital expenditure into a R80.2m ($31.6m) profit.

Profitability at Vaal Reefs and Western Deep Levels, the other leading mines in the group, were largely unchanged at R31.7m and R20.1m respectively.

Available profits at Ergo, the dump re-treatment company, declined to R6.6m from R9.9m last time as a result of metallurgical problems. Mr Hewitt said an announcement would soon be made about a new process which would lead to a 25 per cent reduction in treatment costs.

Mixed returns for JCI mines

By Philip Gawith

EXCEPTIONAL restructuring costs at the Western Areas mine caused after-tax profits at the gold operations managed by the Johannesburg Consolidated Investments (JCI) group to drop during the September quarter, disguising an otherwise improved operating performance.

Mr Kennedy Maxwell, chairman of JCI's gold division, said he felt they had had a good quarter.

Randfontein, the group's largest mine, lifted its gold production to 7,449kg (6,956kg) as a result of improving grades by lifting underground production. After-tax profit increased to R32.3m from R29.9m.

Western Areas, JCI's other operational mine, suffered an R11.5m after-tax loss, against R6.4m previously, but the latest figure disguises an impressive turnround in operating profit of about R9m.

The after-tax figure includes a R5.4m one-off cost associated with the the closure of the North Shaft and a R7m interest payment. This will not be repeated as short-term loans of R110m will be repaid as soon as the mine realises the proceeds of selling its entitlement to shares in the South Deep project.

Mr Bill Nairn, the consulting engineer, said the mine had bedded down exceptionally well after a traumatic retrenchment period.

He said he was hopeful the mine would be profitable next quarter, a forecast simplified by the mine having sold half of its production forward at R33,114 per kg. Mr Maxwell said good progress had been made at Joel, the mine JCI is developing in the Free State.

The short term milling target of 80,000 tons/month has been reached and sampling results are at last approaching levels long expected, but seldom delivered. As from next quarter the mine will publish its results in full.

Mr Maxwell said the mine would soon put to shareholders a plan to liquidate its R127m debt, which was attracting considerable interest, by raising R150m through an issue of redeemable preference shares to JCI.

Buoyant sales in opening half

By Emiko Terazono in Tokyo

STRONG growth in consumer demand boosted first-half sales of three of Japan's leading department stores. Also, the International Garden and Greenery Exposition held in Osaka from April to September had a favourable impact on sales for Osaka based Takashimaya and Daimaru.

JAPANESE DEPARTMENT STORE RESULTS
First half of 1990

Company	Sales Ybn	Sales % change	Pre-tax profit Ybn	Pre-tax profit % change
Takashimaya	342.2	10.4	10.3	12.0
Daimaru	298.0	8.8	3.5	-17.0
Mitsukoshi	423.0	12.1	8.9	48.9

Although Daimaru's recurring profit fell 17 per cent to Y3.6bn because of a high level of capital spending, including remodelling of its main stores, buoyant furniture sales helped total sales to expand 8.8 per cent to Y298.1bn.

Takashimaya's net profit soared 4.6 times to Y15.3bn, thanks to extraordinary land sales, while Daimaru's declined 3.8 per cent to Y1.7bn.

Mitsukoshi said sales in artwork and jewellery contributed to its strong sales increase, while the exceptionally hot summer caused sales in electrical appliances to rise. After-tax profit stood at Y4.61bn, an increase of 38.4 per cent.

Forecasts for profit in the full year remain optimistic, with sale increases especially expected in high class clothing. Takashimaya is forecasting a full-year pre-tax profit of Y20bn, Daimaru a record Y10bn, and Mitsukoshi Y18.4bn.

Although the retailers expect the consumer spending boom to continue for the remainder of their fiscal year, effects of higher interest rates on loans and the sluggish stock market are expected to slow down demand for luxury products such as jewelry and artwork.

Australian bank reveals increase in bad debts

By Kevin Brown in Sydney

THE government-owned Commonwealth Bank, the first of Australia's big four banks to report results for the year to June, yesterday announced a disappointing 3.8 per cent increase in net profits to A$494.2m (US$384.6m).

Commonwealth, which is to be partially privatised next year, said it had increased charges for bad and doubtful debts by 54.9 per cent to A$461.7m, and warned that the current year would also be difficult. The bank's portfolio of loans not accruing interest or fees doubled to A$1bn.

The results point to similar problems for Westpac, National Australia Bank and ANZ, the big three quoted banks, which are due to report next month. All reported significant increases in provisions against non-performing loans at the interim stage.

Mr Don Sanders, Commonwealth managing director, said the bank's result "fell short of aspirations," but was likely to be in line with the results of the other major banks.

Mr Sanders said the government's tight money policy had reduced demand for corporate loans and resulted in substantial increases in bad debts, which ranged from small borrowers to high profile companies.

However, the bank had made gains in market share in key sectors, including an increase in home loans from A$3.6bn last year to A$4bn. Outstanding mortgage balances grew 16 per cent to A$12.3bn. Retail deposits rose by 14.3 per cent to A$28.3bn.

Analysts said the result was encouraging in the light of the rapid slowdown of the Australian economy over the last year, and a decline in interest margins.

However, the bank's return on average equity, regarded as an important measure of profitability, fell from 14.6 per cent to 13.2 per cent. Assets grew by 10.5 per cent to A$67.03bn, in line with general growth in credit but below the 20.2 per cent achieved in the previous year, which was inflated by the acquisition of ASB Bank in New Zealand.

The bank's capital adequacy ratio fell to 9.16 per cent from 9.56 per cent, but remained well above the Reserve Bank's requirement of 8 per cent. The dividend paid to the federal government was increased from A$110m to A$160.1m.

Commonwealth is negotiating to acquire the State Bank Victoria for A$1.6bn from the state government as part of a deal which will lead to the sale to the private sector of up to 30 per cent of the equity of the enlarged bank.

The deal has been approved in principle by the federal and state governments, and by the Australian Labor Party, which is in power in Melbourne and Canberra. However, details of the mechanics of the sale have not yet been decided.

Daiei increases pre-tax profits by 6% to Y12bn

By Ian Rodger in Tokyo

PRE-TAX profits of Daiei, Japan's largest supermarket group, rose 6 per cent in the six months to August 31 to Y12bn ($95m) on sales up 4 per cent to Y801.2bn.

Both figures exceeded projections, reflecting buoyant consumer spending, but the company said sales growth in the second half was likely to be slightly smaller because of uncertainties in interest rate and oil price movements.

Net profits were up 7 per cent to Y4.1bn or Y10.58 per share.

For the full year to February, the company expects pre-tax profits to reach Y26.5bn, up 3.4 per cent.

Singapore Telecom valued at up to $9bn

By Joyce Quek in Singapore

SINGAPORE Telecom (ST) is the world's most attractive telecommunications authority to be privatised, say UK-based Telecommunications Research Centre (TRC), which valued ST at US$7.5bn to US$9bn.

TRC said at US$7,500 to US$9,000, ST's price per subscriber line was higher than any authority which had been privatised or sold in the last 12 months.

Mr Jack Stockdale, TRC head of research, said the authority, which is to be privatised in 1992/3, was exceedingly attractive for its consistent improvement of networks and rising profitability. The centre forecast ST's revenue at US$4.7bn by the year 2000

INTERNATIONAL CAPITAL MARKETS

German bonds surge as oil price slides below $34

By Deborah Hargreaves in London and Karen Zagor in New York

THE WEST German bond market surged ahead yesterday as the oil price dropped below $34 a barrel and the D-Mark tested new highs against the dollar.

Traders reported some short-term change of sentiment in the market which is under*pinning the price rises, but* they expect this to be short-lived.

Bunds are being driven by the strength of the currency and the falling oil price while investors are paying little attention to economic fundamentals.

Bund futures on the London International Financial Futures Exchange traded up to 81.95, breaking a key resistance point which gives the market the potential to go much higher. The market had closed at a level of 81.53 on Wednesday and opened at 81.39 yesterday morning.

■IT WAS currency strength that also buoyed the Japanese market yesterday when the yield on the benchmark 119 bond dropped further in London trading to close at 7.73 per cent.

However, the market in Japan was buffetted by conflicting comments from Bank of Japan and Ministry of Finance officials about the level of the yen and current interest rates. The Bank of Japan is keeping money market rates very firm in spite of the 90 basis point decline in government bond yields over the last two weeks.

While there was some profit-taking in Tokyo, there is some feeling in the market that bond prices can still go higher if the yen remains strong.

■ US Treasuries moved broadly higher yesterday thanks to short-covering, falling oil prices and encouraging inflation reports. But the rally ran out of steam as oil prices recovered in the afternoon.

The long end of the yield curve showed the greatest advance through the day, with the Treasury's bellwether 30-year bond gaining more than ½ point before settling ⅜ point higher at 99⅛ to yield 8.82 per cent in late trading. Among shorter-dated maturities, the three-year bond was quoted ⅛ higher for a yield of 8.03 per cent.

Fed Funds, the rate at which banks lend to each other, traded at 7⅞ per cent in the afternoon. The market had not expected the Fed to act yesterday.

The debt market was encouraged by September's consumer price data, which were lower than expected. Excluding the volatile food and energy components, the September index advanced 0.3 per cent compared with a 0.5 per cent gain in August.

Crude oil futures plunged yesterday morning after Iraq said it was willing to sell oil to all companies and sides involved in the Gulf conflict, including the US, for $21 a barrel. Iraq would be paid through an escrow fund because of UN sanctions. At mid-session, November crude had dropped $2.07 to $34.65. However, reports of renewed violence in Israel sent oil prices higher, and November crude ended the day up 8 cents at $36.80.

During the morning, the Treasury said it would postpone the planned afternoon 52-week bill auction.

The department is waiting for Congress to enact a continuing resolution with a provision to hike the debt ceiling, which is temporarily set at $3,195bn. If the enactment doesn't pass, the ceiling will revert to $3,122bn today.

Meanwhile, Friday's auction of $12.5bn of 69-day cash management bills will proceed as planned.

■IN THE UK, gilt-edged securities traded in a very narrow range in advance of a speech by Mr John Major, the chancellor, last night. The market was depressed by disappointing figures for average earnings in September, but was encouraged by the release of more favourable bank lending figures. A benchmark issue, the 11¾ per cent 2003/07 closed three ticks higher at 101$\frac{11}{32}$ to offer a yield of 11.49 per cent.

■THE market for Swedish government bonds was rocked by the overnight rise in interest rates from 14 per cent to 17 per cent in a bid by the government to calm the confusion in the foreign exchange market. The Swedish government has said it will put interest rates as high as is necessary to keep the kroner strong.

This led to a turbulent day's trading for government paper with the benchmark five-year issue seeing its yield drop from 14.1 per cent to 13.9 per cent. Trading in Treasury bills was extremely volatile with few buyers materialising.

■THE American Stock Exchange has agreed a licensing arrangement with the Paris bourse which will allow the French exchange to trade warrants on a US stock index while the Amex will trade warrants on the French CAC 40 index.

The Paris bourse will list warrants on the Major Market Index which is similar to the Dow Jones Industrial Average and trades in option form on the Amex.

The agreement will broaden the Amex's existing warrant programme as part of which it trades some 100,000-200,000 lots a day in warrants on the Japanese Nikkei stock index.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	102-21	-05/32	11.90	11.77	12.54
		9.000	03/00	88-01	-	11.46	11.38	11.82
		9.000	10/08	84-13	+01/32	11.00	10.94	11.17
US TREASURY *		8.750	08/00	100-12	+12/32	8.68	8.87	8.98
		8.750	08/20	99-05	+19/32	8.82	9.02	9.12
JAPAN	No 119	4.800	6/99	84.7393	+0.286	7.74	8.20	8.57
	No 129	6.400	03/00	94.1341	+0.209	7.46	7.86	8.18
GERMANY		8.500	08/00	98.9500	+0.450	8.97	9.11	9.03
FRANCE	BTAN	9.000	11/95	95.4502	+0.114	10.18	10.31	10.36
	OAT	8.500	03/00	89.5400	+0.350	10.26	10.49	10.52
CANADA *		10.500	07/00	95.7500	+0.200	11.22	11.34	11.00
NETHERLANDS		9.000	10/00	98.9400	+0.280	9.17	9.24	9.21
AUSTRALIA		13.000	07/00	97.7517	-0.158	13.41	13.54	13.60

London closing, *denotes New York closing session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Halifax sets up DM500m MTN programme

By Simon London

HALIFAX Building Society has become the first UK building society to set up an international Medium-Term Note programme.

The DM500m MTN programme is being arranged through Deutsche Bank Capital Markets and will be listed on the Frankfurt exchange.

Under the programme, Halifax will be able to launch between six and eight issues of fixed-rate, *floating-rate or* zero-coupon notes with maturities of between two and 30 years. The terms of the programme also allow for call or put features to be written into the bonds. Bonds issued under the programme will be dealt by Deutsche Bank and Westdeutsche Landesbank.

The Halifax programme is the tenth D-Mark MTN pro*gramme to date*, mostly from highly-rated financial institutions and with programme sizes ranging from DM300m to DM2bn.

The MTN structure allows borrowers to issue tailored bonds to investors very quickly, taking advantage of short-lived arbitrage opportunities while public bond issuance remains difficult. Once the programme has been established, each issue can be low key.

Moreover, bonds issued under a listed MTN programme are also acceptable to institutional investors prohibited from taking privately placed securities. Similarly, shorter maturity bonds are not generally acceptable to D-Mark investors, whereas the *Halifax programme* allows the borrower to issue D-Mark bonds as short as two years.

CBOT head plans move to London

By Deborah Hargreaves and Barbara Durr

MR KARSTEN "Cash" Mahlmann, the former head of the Chicago Board of Trade, the world's largest futures exchange, is planning a move to London next month where he will head the European arm of one of Chicago's oldest established brokerage houses.

Mr Mahlmann will run Rosenthal Collins' London branch which was set up earlier this year. The brokerage operation is a member of the London International Financial Futures Exchange and has made applications to join other London markets. In addition, the branch is understood to be talking to the Deutsche Terminbörse about membership.

Mr Mahlmann will head Rosenthal Collins' expansion in Europe and will use his well-known name to make approaches to potential institutional clients for the company.

He is making the move from Chicago following the well-*publicised collapse of Stotler &* Co the futures broker run by Mr Mahlmann in the US. Several months ago, Mr Mahlmann was pressured into resigning from his post at the *CBOT after the depth of Sto*tler's financial mismanagement became clear.

Mr Mahlmann is currently on a visit to London where he will miss the auction of Sto*tler's office furnishings and* equipment which went under the hammer in Chicago yesterday.

The auction of Stotler's lush fittings and fancy office furni*ture is estimated to bring in* about $1m. In charge of the sale was the auction house Ross-Dove, which earlier this year handled the sale at Drexel Burnham's headquarters. A *Ross-Dove representa*tive said: Stotler's was "the nicest office furnishing we've seen in 50 years".

Rights planned by Tyndall to boost Triple E

By Richard Lapper

TYNDALL Holdings, the UK financial services company, is preparing a rights issue to pump extra capital into its Emerging East Europe Fund (Triple E), the joint-venture investment vehicle it manages.

Triple E has an authorised capital of $250m, of which $50m is in preference shares. So far only $15m in preference shares have been issued via a private placement to institutional investors, which include the UK mutual insurance company Norwich Union.

Early next month, Tyndall plans to issue 1.5m more preference shares, raising an extra $16m. This could be followed by a further issue in 1991. Tyndall is also filing an application to list Triple E in Luxembourg.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. — Closing prices on October 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99⅝	100	-⅛	9.07
ALBERTA PROVINCE 9 3/8 95	600	100⅞	101¼	+⅛	9.18
AUSTRIA 8 1/2 00	400	93¼	93⅝	+⅛	9.58
BANK OF TOKYO 8 3/8 96	100	95¼	95⅝	+⅛	9.54
BELGIUM 9 1/8 92	400	100⅞	101¼		8.59
BFCE 7 3/4 97	150	92⅝	93	+⅛	9.32
BNP 8 5/8 94	300	98⅝	99	+⅛	9.05
BP CAPITAL 9 5/8 93	150	101⅞	102¼	+⅛	8.95
CANADA 9 96	1000	100	100⅜	+⅛	8.98
CABCO 9 1/4 96	650	97⅛	97½	+⅛	9.91
CCCE 9 1/4 95	300	100⅞	101¼	+⅛	9.01
COUNCIL EUROPE 8 96	100	94⅞	95¼	+⅛	9.20
CREDIT FONCIER 9 1/2 99	300	99⅝	99⅞	+⅛	9.57
DENMARK 0 98	250	49⅛	49⅝	+⅛	9.34
DENMARK 8 1/4 94	150	97½	97⅞	+⅛	9.04
ECSC 8 1/4 96	195	95¼	95⅝	+⅛	9.29
EEC 7 1/4 93	250	97	97⅜	+⅛	8.67
EIB 7 3/4 96	250	93⅞	94¼	+⅛	9.16
EIB 10 97	250	103¼	103⅝	+⅛	9.31
ELEC DE FRANCE 9 98	200	98⅞	99¼	+⅛	9.20
EUROFIMA 9 1/4 96	100	99⅞	100¼	+⅛	9.29
EXPORT DEV CORP 9 1/2 98	150	100¼	100½	+⅛	9.46
FINLAND 7 7/8 97	200	92⅞	93¼		9.53
FINNISH EXPORT 9 3/8 95	200	100⅞	101¼	+⅛	9.15
FORD MOTOR CREDIT 9 1/2 93	300	100¼	100⅝	+⅛	9.40
GEN ELEC CAPITAL 9 3/8 96	300	100	100⅜	+⅛	9.35
GMAC 9 1/8 96	200	97¼	97⅝	+⅛	9.75
HALIFAX 9 1/2 93	200	100⅞	101¼	-⅛	9.13
IBM WORLD TRADE 7 5/8 93	150	96	96⅜		9.16
IND BK JAPAN FIN 7 7/8 97	200	91⅝	92	+⅛	9.68
INTER AMER DEV 7 5/8 96	200	92⅞	93¼	+⅛	9.27
ITALY 8 1/2 94	1500	98¼	98⅝	+⅛	8.96
JAPAN DEV BK 8 94	150	97⅛	97⅝	+⅛	8.94
KANSAI ELEC PWR 10 96	350	101⅞	102¼	+⅛	9.55
LTCB 8 5/8 93	150	98⅞	99¼		9.12
NEW ZEALAND 8 93	100	97⅞	98¼		8.90
NIPPON CRED BK 9 3/4 93	150	101⅛	101½		9.25
NIPPON TEL & TEL 9 3/8 95	200	100⅞	101¼	+⅛	9.10
NORDIC INV BANK 9 93	200	100⅛	100½		8.75
OLYMPIA & YORK 8 1/4 96	435	83¼	85⅛	+⅛	12.36
ONTARIO HYDRO 11 5/8 94	200	106⅞	107¼		9.13
OSTER KONTROLLBANK 8 1/8 93	200	98⅞	99¼		8.68
PRUDENTIAL RLTY SECS 0 99	365.216	45⅝	46¼		9.99
QUEBEC HYDRO 9 3/4 98	150	99⅞	100¼	+⅛	9.77
QUEBEC PROV 9 98	200	97	97½	+⅛	9.56
SAINSBURY 9 1/8 96	150	98⅛	98⅜	+⅛	9.52
SAS 10 99	200	99⅝	100⅛	+⅛	10.05
SBAB 9 1/2 95	500	101	101⅜	+⅛	9.20
STATE BK STH AUST 9 1/4 93	100	100⅝	101⅛		9.02
SUMITOMO BK CAP MKT 9 3/8 93	150	100⅝	101⅛	+⅛	9.12
SWEDEN 8 1/8 94	150	96⅞	97¼		9.13
SWEDISH EXPORT 9 5/8 93	100	101⅞	102¼	+⅛	8.67
TOKYO METROPOLIS 8 1/4 96	200	95¼	95⅝	+⅛	9.28
WORLD BANK 8 3/8 99	1500	94¼	94⅝	+⅛	9.46
WORLD BANK 8 3/4 97	1500	98⅛	98½	+⅛	9.27
XEROX CORPN 8 3/8 96	100	92⅞	93¼	+⅛	10.08

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96⅛	96½		9.13
AUSTRIA 6 98	400	82¾	83⅛		9.30
CNT 6 1/8 98	200	82½	82⅞		9.30
CREDIT FONCIER 6 3/4 99	500	85½	85⅞	+⅛	9.29
DEUTSCHE BK FIN 5 5/8 96	750	85⅛	85½	+⅛	9.12
EEC 5 3/8 93	300	92½	92⅞	+⅛	9.19
EIB 6 1/8 96	300	86⅛	86½		9.29
EIB 6 7/8 95	300	90⅛	90½		9.23
EUROFIMA 6 1/4 98	400	83¼	83⅝		9.38
FELDMUEHLE FINANCE 8 99	200	91⅛	91½	-⅛	9.46
FERRO DEL STAT 5 3/8 93	500	92⅛	92½	+⅛	9.14
IND BK JAPAN FIN 5 5/8 96	200	84⅛	84½	-⅛	9.43
INTER AMER DEV 7 1/4 99	300	89	89⅜	-⅛	9.13
LUFTHANSA INT FIN 5 7/8 98	500	81⅛	81½		9.41
QUEBEC HYDRO 6 3/4 99	300	85⅛	85½	-⅛	9.36
SWEDEN 6 1/8 98	300	83⅛	83½		9.29
WORLD BANK 0 15	2000	13¼	13½	+⅛	8.36
WORLD BANK 5 3/4 96	300	85⅛	85½	+⅛	9.26
WORLD BANK 7 1/8 95	500	93	93½		9.17

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AIR CANADA 6 1/4 PERP	300		57		10.95
ASIAN DEV BANK 6 10	100	81¼	82		7.89
AUSTRIA 4 5/8 98	100	85½	86	-½	7.24
COUNCIL EUROPE 4 3/4 98	250	84½	85½	+½	7.58
EEC 5 1/2 00	100	86½			7.45
EIB 5 3/4 93	100	96¼	97	+½	7.17
FINLAND 5 3/8 95	150	93½	93¾	+¼	6.95
GENERAL MOTORS 7 1/2 95	100	101½	101¾		7.09
JAPAN DEV BK 5 1/2 94	100	94	95		7.60
MOUNT ISA FINANCE 5 3/4 94	100	78	80	+1	13.98
NEW ZEALAND 4 7/8 99	200	82	82½		7.91
QUEBEC HYDRO 5 08	100	75	76½	+½	7.64
SKANDINAVISKA ENSK 6 1/2 95	100	97	98	+1	7.34
WORLD BANK 5 03	150	82		+1	7.19
WORLD BANK 7 1/4 92	100	101	101½		6.60

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	91⅛	91⅜	+⅛	7.75
CANADA 4 3/8 92	80000	94⅞	95⅛	+⅛	7.71
CREDIT FONCIER 5 1/4 94	20000	90⅞	91⅛	+⅛	7.93
DENMARK 7 95	40000	97½	97¾		7.69
EIB 4 5/8 94	40000	90¾	91	+⅛	7.69
GENERAL ELECTRIC 5 3/4 93	35000	95⅛	95⅜		7.99
INTER AMER DEV 7 1/4 00	30000	98⅛	98⅜	+⅛	7.52
ITALY 5 3/4 92	150000	97⅜	97⅝		7.86
KANSAI ELEC PWR 4 5/8 94	60000	90⅛	90⅜	+⅛	7.79
NIPPON TEL & TEL 5 7/8 96	50000	91⅛	91⅜	+⅛	7.68
NORWAY 5 1/8 95	50000	90⅛	90⅜	+⅛	7.71
SWEDEN 5 5/8 95	20000	91⅛	91⅜	+⅛	7.79
WORLD BANK 6 3/4 00	50000	95⅛	95⅜	+⅛	7.48

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	500	91⅛	92⅛		10.15
KREDIETCORP 7 93 LFr	1000	92⅞	93⅞		10.01
WORLD BANK 8 96 LFr	1000	92⅞	93⅞		9.83
ALBERTA PROVINCE 10 92 C$	500	97	97⅜		11.94
BCE INC 9 5/8 93 C$	300	94⅛	94½		12.34
BELL CANADA 10 5/8 99 C$	150	91⅛	92	+⅛	12.24
BRITISH COLUMBIA 9 1/4 93 C$	150	94	94⅜		12.25
EIB 10 1/8 98 C$	130	91⅞	92⅜	+⅛	11.80
FORD CREDIT CANADA 10 94 C$	100	92⅛	92⅝	-⅛	12.70
GENERAL ELECT CAP 10 1/4 93 C$	175	95⅞	96¼		11.98
MONTREAL TRUSTCO 8 1/2 92 C$	100	93⅞	94¼		13.41
ONTARIO HYDRO 10 7/8 99 C$	500	93¼	93⅝	+⅛	12.27
QUEBEC PROV 10 1/2 98 C$	200	90¼	90⅝	+⅛	12.46
ROYAL TRUSTCO 10 1/4 93 C$	100	94⅛	94⅝		12.98
SWEDEN 9 3/4 93 C$	250	95¼	95⅝		11.96
AUSTRIA 7 3/8 93 Ecu	125	92⅞	93⅜	+⅛	10.92
CNT 7 3/8 93 Ecu	250	91⅞	92⅜	+⅛	10.99
CREDIT LYONNAIS 9 96 Ecu	125	91⅝	92⅛	+⅛	11.07
DENMARK 7 5/8 96 Ecu	250	87⅞	88⅜	+⅛	10.68
EEC 7 5/8 94 Ecu	200	92⅛	92⅝	+⅛	10.45
EIB 10 97 Ecu	1125	98⅛	98⅝	+⅛	10.37
ITALY 10 3/4 00 Ecu	1000	101⅛	101⅝	+⅛	10.49
SWEDEN 7 1/2 93 Ecu	250	91⅞	92⅜		10.89
BMW FINANCE 14 1/2 92 A$	100	100⅞	101⅜	-⅛	13.64
COUNCIL EUROPE 13 93 A$	50	99½	100¼	-⅛	13.16
EKSPORTFINANS 12 3/8 95 A$	75	98½	99	-⅛	12.77
FORD CRED AUST 13 93 A$	50	97⅞	98½	-⅛	14.00
ICI 15 1/2 92 A$	100	101⅞	102½	-⅛	13.95
MCDONALDS CANADA 15 95 A$	100	102⅞	103⅜	-⅛	14.06
NAT AUSTRALIA BANK 14 3/4 94 A$	150	102⅛	102⅝	-⅛	13.78
STATE BK NSW 14 1/4 99 A$	100	100⅞	101⅛	-⅛	14.06
VOLKSWAGEN INTL 15 94 A$	100	103⅛	103⅝	-⅛	13.64
ABBEY NATL TREAS 13 3/8 95 £	100	102⅛	102½		12.65
BARCLAYS JERSEY 9 1/2 93 £	250	93⅛	93⅝		12.79
BRITISH GAS 12 3/4 95 £	150	101⅞	102⅛		12.12
DEUTSCHE BK FIN 11 94 £	225	96⅛	96⅝	-⅛	12.37
EIB 10 97 £	300	89⅞	90⅛	-⅛	12.38
FORD CREDIT FUNDING 9 5/8 93 £	50	92½	93		13.28
INTER AMER DEV 11 3/8 95 £	75	97⅛	97⅝	-⅛	12.18
ITALY 10 1/2 14 £	400	85¼	86	-⅛	12.36
LAND SECS 9 1/2 07 £	200	73⅛	73⅝	-⅛	13.62
LEEDS PERMANENT 9 1/4 93 £	50	91⅞	92⅛	-⅛	13.06
NORWAY 10 1/2 94 £	200	95⅛	95⅝	-⅛	12.32
ROLLS-ROYCE 9 5/8 93 £	150	92⅛	92⅝		13.10
SAINSBURY 10 7/8 93 £	100	96	96½		13.00
SKANDINAVISKA ENSK 13 1/8 95 £	100	100⅞	101⅜		12.79
WORLD BANK 11 1/4 95 £	100	96⅞	97⅛	-⅛	12.13
ABBEY NATIONAL 0 96 NZ$	100	45	46¼	-⅛	14.33
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	100	101		13.10
AIDC 7 7/8 93 FFr	600	93	93½		10.76
CREDIT LYONNAIS 10 95 FFr	2000	97¼	97⅝	+⅛	10.75
EURATOM 7 5/8 98 FFr	500	84	84½	+⅛	10.77

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.93	100.03	13.9375
ALBERTA PROVINCE 1/32 93	500	99.92	100.02	8.4063
ALLIANCE & LEICS 0.08 94 £	300	99.77	99.82	15.0800
BANCO ROMA 0.03 01	200	93.72	94.53	8.4675
BANCO SANTO SPIRITO 93	200	99.50	99.60	8.4375
BELGIUM 1/16 97 DM	500	99.98	100.08	8.8125
BFCE -0.02 96	350	99.65	99.75	8.4175
BNP 05	300	98.05	98.26	8.0000
BRITANNIA 1/10 96 £	150	99.75	99.80	15.1000
CITICORP 1/4 98	500	86.49	88.58	8.3125
CITIZENS FED 0.15 96	100	99.44	99.84	8.2125
COMMERZBK O/S FIN 93	200	99.51	99.61	7.9375
DENMARK -1/8 96	1000	99.03	99.13	8.0000
FERRO DEL STAT 94	200	100.08	100.19	8.2500
HALIFAX 1/10 94 £	200	99.93	99.98	15.1000
MITSUI FIN ASIA 1/8 96	100	99.89	99.99	8.1875
MORGAN (JP) 1/4 97	250	98.47	99.26	8.5000
NAT WEST FIN 3/16 05	400	95.20	95.86	8.8125
NEW ZEALAND 93	500	99.39	99.49	8.0625
NORTHEAST SAVINGS 1/10 96	150	99.43	99.95	8.1625
PORTUGAL 0.05 93	700	99.89	99.99	8.4875
QUEBEC PROV 01	300	97.23	97.39	8.1250
RENFE 98	500	99.62	99.72	8.5000
SOCIETE GENERALE 96	300	98.76	98.86	8.0000
UNITED KINGDOM -1/8 96	4000	99.85	99.89	8.2500
WELLS FARGO 1/16 94	150	96.42	97.34	8.1875

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	103	104¼	+28.75
ASDA-MFI 4 3/4 02 £	100	1.64	108⅛	109¼	+39.18
BURTON GROUP 4 3/4 01 £	110	3.15	101½	102¼	
EASTMAN KODAK 6 3/8 01	300	50.67	90	91¼	+22.84
GOLD KALGOORLIE 7 1/2 00	65	1.0554	68⅛	69⅝	+28.56
GOODYEAR TIRE 6 7/8 03	150	80¼	50¼	52½	
GRACE (WR) 6 1/4 02	150	42¼	64½	65¼	+46.87
GRAND MET 6 1/4 02 £	100	6.58	90¼	91⅞	+5.67
HAWLEY 6 02 PREF	400	1.91	95¼	96⅝	+38.74
HILLSDOWN 4 1/2 02 £	150	4.16	101½	102⅝	+62.40
INTL PAPER 5 3/4 02	200	68¼	80	81¼	+22.80
LAND SECS 6 3/4 02 £	84	6.72	83½	84½	+11.55
MITSUBISHI BK 1 3/4 02	300	2727.1	74½	76½	+5.56
OGDEN 6 02	85	39.077	62¼	63¾	+54.14
PACIFIC DUNLOP 6 3/4 97	75	3.749	95⅞	96⅞	+0.75
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	76⅛	77⅞	
THORN EMI 5 3/4 04 £	103	7.45	101¾	103	+23.41

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

INTERNATIONAL CAPITAL MARKETS

Kidder breaks new ground with collatoralised issue

By Simon London

KIDDER Peabody broke new ground with an issue of collatoralised bond obligations for Equitable Capital DHO, an off-balance sheet vehicle for US insurer Equitable Life.

The two-tranche floating-rate issue, backed by a portfolio of high-yield securities, is the first to be issued into the international bond market without a triple-A rating and a guarantee. Similar issues have been made in the US, and the poor performance of the high-yield market over the summer made it possible to assemble the underlying junk bond portfolio.

The $110m senior tranche carries a rating of AA2 and pays 80 basis points over the six-month London interbank offered rate. The $15m second priority senior tranche is rated BAA2 and pays 175 basis points over six-month Libor.

This compares with guaranteed triple-A rated deals, launched at a spread of 20 basis points over six-month Libor but which now pay between 40 basis points and 50 basis points over six-month Libor in the secondary market.

The investment-grade rating is made possible by a further $22m of underlying equity and subordinated capital in the hands of Equitable Life and other investors.

The lead manager reported strong demand from the Far East. It is possible for some to borrow at a lower rate than the return on the bonds. Launched at par, the deal was trading at 99¾, inside full fees of 50 basis points.

Elsewhere, General Motors Acceptance Corporation launched the first Australian dollar deal since domestic interest rates were cut on Monday. The A$75m three-year deal via Hambros was priced tight to the secondary market but met with good demand from the usual European retail buyers of Australian dollar paper.

The deal was priced at 101.70 with a 14 per cent coupon and traded at less 135 bid, inside full fess of 1½ per cent. At this level the yield is 13.84 per cent, more expensive than the outstanding ICI 1993 paper, which is yielding 14.08 per cent in the secondary market. It does, however, offer a pick-up of almost 20 basis points on IBM's 1993 paper, which offers 13.65 per cent at current levels.

The Australian government's decision to cut interest rates sent the currency into decline. This morning the Australian dollar stood at DM1.17, against DM1.30 three weeks ago. However, this may not be bad for the sector as investors see better value in Australian dollar paper.

The biggest block in the market may be a lack of willing borrowers with a need for unswapped Australian dollars. The recent rally in the domestic bond market has outstripped Australian dollar bond prices in the international market. The domestic market is now expensive relative to the international market, and swaps players are finding it hard to hedge their positions in the the domestic market. As a consequence, swap opportunities for international borrowers have closed up.

Yesterday morning Finnish Export Credit increased Wednesday's yen deal from Y25bn to Y30bn. In the afternoon it launched a Ecu100m three-year issue through Merrill Lynch.

The lead manager said Ecu35m had been placed with a Far Eastern investor and a lack of supply at this maturity stimulated demand. With a coupon of 10½ per cent the paper offered a yield of 10.35 per cent at launch price of 101¾. This compares with a yield of 10.18 per cent now available in the secondary market from the Crédit Lyonnais three-year Ecu deal launched last week.

● BANCA Commerciale Italiana announced the launch of a L1.02bn syndicated multi-option facility for IBM's Italian operations. The revolving facility has an average life of 18 months less one day (which avoids tax implications for Italian banks).

The bank will not disclose pricing. The facility will be used for Eurocurrency and domestic lire advances and as a guarantee to back-up domestic commercial paper issues.

BCI says it has attracted 10 other leading international banks into the deal.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Equitable Cap.DHO(e)†◆	110	(e)	100	2000	50/25	Kidder Peabody Int.
Equitable Cap.DHO(f)†◆	15	(f)	100	2000	50/25	Kidder Peabody Int.
Fujitec Co.(d)‡◆	100	4⅞	100	1994	2¼/1½	Nomura Int.
AUSTRALIAN DOLLARS						
GMAC Aust.(Fin.)(a)◆	75	14	101.70	1993	1½/1	Hambros Bk
ECUs						
Finnish Export Credit(a)◆	100	10½	101¾	1993	1⅞/1	Merrill Lynch Int.
SWISS FRANCS						
Asian Devt.Bk(c)◆	100	7⅞	102	2000	-	SBC
Uni-Charm Corp(a)✶✶◆	70	8	100⅝	1997	-	Credit Suisse
Chinon Ind.(a)✶✶◆	40	5½	100	1994	-	Bank Leu
LIRE						
Societe Generale(a)◆	150bn	12⅞	101	1994	1⅝/1⅛	Credito Italiano
YEN						
Finnish Export Credit(b)◆	80bn	6	101.075	1992	1⅛/⅝	Nomura Int.

✶✶Private placement. §Convertible. ‡With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Issue launched 17/10/90. Amount increased from Yen25bn. Non-callable. c) Callable after 8 years at 102%, declining 1% annually. d) Coupon was indicated at 5⅛%. Exercise premium fixed at 2.54%. Non-callable. e) Senior FRN issue. Coupon pays .80% over 6-month Libor. Callable from October 1995 on pro rata basis. f) Second priority senior FRN issue. Coupon pays 1.75% over 6-month Libor. Callable from October 1995 on pro rata basis.

Savings of DM30bn transformed into bonds

By Katharine Campbell in Frankfurt

THE east German savings sector is transforming DM30bn of assets into zero-coupon bonds, to be listed on the Berlin and Frankfurt stock exchanges, in what appears to be the second step in integrating the eastern savings banks into the west German system.

Deutsche Girozentrale-Deutsche Kommunalbank (DGZ), the clearing bank owned by the Landesbanks and savings banks, is underwriting the huge issue which is in the name of the Staatsbank Berlin. DGZ said yesterday the move counted as interbank activities and was not an additional burden on the capital markets. It gave no further details.

Since the introduction of the D-Mark at the beginning of July, the eastern savings sector is no longer required to keep its deposits with the Staatsbank, the former monopoly east German bank. Since then the savings institutes, looking for better returns, have transferred well over DM30bn to other banks, mostly western. This in turn necessitated a flood of capital market issues by the Staatsbank, mostly in the form of FRNs, to plug the gap.

Since unification, DGZ has taken over from the Staatsbank as the liquidity manager for eastern as well as western savings banks, but the political go-ahead from Bonn for DGZ actually to acquire the Staatsbank is still awaited.

In yesterday's move the remaining Staatsbank deposits that had not been withdrawn are being rebundled in the form of a tradable bond. When eastern savings banks want to advance credits they can therefore raise the funds by selling zero-coupon bonds in the market, a much more flexible instrument than interbank deposits, with the important added attraction that the paper is likeley to be eligible against Lombard borrowings from the Bundesbank.

DGZ yesterday refused to give details of the issue price and maturity of the paper, which will appear in a stock exchange prospectus to be published next week.

Traders go on strike for fair shares

Haig Simonian finds the Milan stock exchange at a standstill

IN the shortest-ever trading day on the Milan stock exchange, floor business in Italian equities opened and closed yesterday without a single share changing hands and without the tiniest blip in prices.

Trading volumes in Italian equities have slumped alongside the declines in other markets following the Gulf crisis. And Italy in particular is still reeling from last month's botched announcement of a capital gains tax, the precise workings of which remain unclear, despite an explanatory letter to financial institutions this week.

But yesterday's silence on the normally uproarious Milan floor stemmed not from a paucity of business but rather from the decision by most ot the market's 700-plus floor traders to strike in protest at the slow pace of bourse reform.

The "procuratori" (floor traders) who took the action have good reason to resent the fact that change is moving so slowly. The all-important law to establish a Societa di Intermediazione Mobiliare (Sim), Italy's new breed of financial institution combining broking, fund management and some corporate finance activities, has still to be passed, almost two years after being introduced.

After a brief spell of optimism in June and July, work on the legislation has apparently stalled as the finance committee of the Chamber of Deputies has been sidetracked into other matters.

Delays on the Sims law means that work on other pieces of stock-market reform, notably on takeovers and insider trading, have been frozen. For, as Mr Franco Piro, the upbeat chairman on the finance committee, points out, it is pointless debating laws on either subject until the rules on who can participate in stock exchange business are themselves defined and passed into law.

But the traders' decision to strike, which was fulsomely supported by Milan's Agenti di Cambio (stockbrokers) on Wednesday night, is not just a gesture against the slowness of the country's political system.

For while the stockbrokers, after months of hard bargaining, have gained a measure of protection under Italy's much-delayed Big Bang, with a period of transition before banks can have undivided access to the exchange, the floor traders have gained no such privileges. Many fear they will end up out of work.

While their desire to draw attention to their position may be understandable, the wider risks involved for the Italian bourse as a whole may not have been so well perceived. With an unenvious reputation for slow settlement and rampant insider trading, Milan is hardly the bourse most European fund managers love to trade.

Indeed, many international funds are conspicuously underweight in Italian shares not because they are sceptical about the country's economy or its corporate prospects but simply from aversion to the bourse.

As a result, trading volumes in Italian shares on the International Stock Exchange's SEAQ system in London have risen, and the number of companies included has now increased to 14.

That trend may have gained a windfall boost by the rushed announcement of a capital gains tax, fixed at 20 per cent for short-term gains and at a lower rate of 12.5 per cent for gains on shares held longer than 18 months.

Few professionals object to the morality of the tax, which was announced via a special government decree last month and became operative the following day.

However, their attitude may not be unrelated to expectations of ingenuity in avoiding declaration. Indeed, fears of evasion may have been the reason why the decree opted for the tax to be levied at source.

Unfortunately, the measure, which came as part of the government's budget package, aimed at reducing underlying spending by L48,000 to achieve a total deficit of L132,000bn ($112bn) next year, bears all the hallmarks of legislation cobbled together in haste.

For the outcome, which may have been partly shaped to counter trade union opposition to a variety of health care cuts and higher charges for some public services, has been to create an atmosphere of uncertainty that has caused confusion even by Italian standards. The problems are twofold.

First, there are widespread doubts as to the tax's structure and range of scope. Moreover, using the decree procedure means the legislation has become operative, but only for 60 days pending formal parliamentary approval. Thus changes may still take place.

Secondly, brokers are up in arms about the implementation of the tax, which they claim is unworkable.

How, they ask, can they deduct tax on a sale if they do not have data on the client's purchase price? And who is to foot the additional administrative costs incurred, given that many brokers remain small, often under-capitalised concerns?

CBOT plans European futures

By Barbara Durr in Chicago and Deborah Hargreaves in London

THE Chicago Board of Trade (CBOT), the world's largest futures exchange, plans to introduce futures contracts on German and French government bonds.

The new products would, if approved, mark the first European bond futures to be traded in the US.

Applications for the two new contracts were submitted to the Commodity Futures Trading Commission, the industry regulator, on June 25.

A CFTC official said, however, the agency responded on August 10 saying that it had found deficiencies in the contract proposals regarding delivery supplies and procedures and the mechanics of trading.

With that August letter, the agency halted the clock on what is a one-year time period for approval of new contracts.

The CBOT responded with answers to queries on the French contract two days ago, but has not yet cleared up questions on the Bund proposal.

If the CBOT goes ahead with the launch of a Bund futures contract, it is likely to prove highly controversial.

The only derivative contract traded on the German bond is currently listed on the London International Futures Exchange, but the German screen market, the Deutsche Terminbörse is planning to launch a long-delayed rival later this year.

The Bundesbank is understood to be concerned about a futures contract trading outside Germany while the cash market is centred in Frankfurt and could blanch at the prospect of a second contract trading in Chicago.

The CBOT's interest in launching two new bond contracts seems to indicate that it wants to be the premier bond futures exchange.

However, its experience so far in branching out from US Treasuries is not promising.

It began trading Japanese government bond futures on September 27 and the contract has done poorly.

Daily volume in the JGB has averaged less than 200 contracts.

Last week daily volume fell to just 40.

Hongkong Bank props up its Australian arm

HONGKONG & SHANGHAI Banking has boosted the capital of its troubled Australian unit by A$150m. The injection has lifted the Australian unit's capital to A$500m (US$389m), AP-DJ reports from Hong Kong.

In March the unit, Hongkong Bank of Australia, reported an after-tax loss of A$63.1m. This was after charging A$145.2m for specific and general provisions for doubtful debts and bad debt write offs.

Following these results, in May Hongkong Bank of Australia made 51 of its employees redundant, roughly 8 per cent of its staff, and in June it pushed through a top management change.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday October 18 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Wed Oct 17 Index No.	Tue Oct 16 Index No.	Mon Oct 15 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (196)	709.43	+0.9	15.65	6.70	7.81	31.33	705.02	708.83	712.99	879.44
2	Building Materials (26)	967.86	+0.9	15.15	6.30	8.12	39.70	959.65	967.16	969.29	1031.57
3	Contracting, Construction (35)	1156.77	+0.9	17.57	6.90	7.43	56.07	1145.02	1153.04	1161.97	1399.56
4	Electricals (10)	1867.23	+0.2	15.06	7.21	8.12	84.91	1863.41	1880.63	1901.39	2553.41
5	Electronics (26)	1566.32	+0.6	10.73	5.47	12.74	56.74	1557.66	1547.68	1562.51	1938.53
6	Engineering-Aerospace (8)	411.01	+0.8	16.40	5.87	7.33	15.17	407.75	409.20	406.97	0.00
7	Engineering-General (47)	364.57	+0.2	16.43	7.12	7.32	16.85	363.95	365.66	364.99	0.00
8	Metals and Metal Forming (8)	401.57	+0.8	28.38	8.32	4.29	17.02	398.55	405.38	407.05	453.54
9	Motors (13)	271.59	+1.2	18.82	8.74	6.19	14.41	268.41	273.92	275.03	349.96
10	Other Industrial Materials (23)	1176.42	+1.7	14.31	6.93	8.07	60.14	1156.96	1177.02	1191.92	1648.05
21	CONSUMER GROUP (176)	1198.42	+1.1	10.31	4.31	11.97	30.57	1185.63	1188.21	1194.94	1240.75
22	Brewers and Distillers (22)	1506.30	+1.7	10.38	3.92	11.67	33.61	1480.70	1477.13	1487.78	1422.47
25	Food Manufacturing (18)	1005.42	+0.3	11.54	4.86	10.68	28.13	1002.16	1011.81	1014.18	1104.13
26	Food Retailing (17)	2345.28	+0.3	10.17	3.56	12.52	50.82	2338.06	2340.44	2350.33	2297.62
27	Health and Household (16)	2420.52	+2.3	7.30	3.07	16.18	48.83	2366.27	2376.25	2396.91	2395.00
29	Leisure (32)	1201.56	+1.1	12.46	5.40	9.71	39.79	1188.06	1192.32	1208.15	1588.88
31	Packaging & Paper (12)	485.57	....	13.26	7.17	9.26	22.95	485.71	487.33	486.53	533.59
32	Publishing & Printing (14)	2837.04	+0.6	12.65	6.61	9.90	124.64	2821.20	2802.25	2792.31	3477.89
34	Stores (33)	807.34	+0.1	10.93	4.57	11.91	18.58	806.67	807.60	810.83	774.08
35	Textiles (12)	412.97	+1.3	14.46	8.60	8.77	20.31	407.51	409.42	408.65	507.97
40	OTHER GROUPS (107)	963.07	+0.9	13.12	6.09	9.24	32.00	954.41	966.27	976.43	1120.10
41	Agencies (16)	1018.13	+0.7	10.43	3.26	11.61	22.25	1010.83	1028.19	1042.80	1482.36
42	Chemicals (24)	993.73	+0.6	13.37	6.71	8.84	46.81	988.20	995.19	1000.56	1206.29
43	Conglomerates (15)	1324.12	+2.6	12.82	7.56	9.40	38.45	1290.15	1313.39	1327.58	1603.19
44	Transport (14)	1859.43	+1.6	13.06	5.64	9.70	65.20	1830.93	1859.95	1882.29	2160.33
46	Telephone Networks(3)	1051.90	-0.3	12.44	5.20	10.47	26.09	1054.88	1072.94	1084.94	1098.73
47	Water(10)	1937.63	+0.3	15.71	6.99	7.17	68.12	1931.95	1925.03	1935.04	0.00
48	Miscellaneous (25)	1475.10	+1.2	14.20	6.11	8.09	61.49	1457.73	1467.38	1488.53	1839.20
49	INDUSTRIAL GROUP (479)	1007.03	+1.0	12.34	5.38	9.92	32.22	997.16	1003.78	1011.00	1127.65
51	Oil & Gas (21)	2290.67	-0.3	9.77	5.45	13.37	85.44	2296.64	2320.20	2347.13	2157.18
59	500 SHARE INDEX (500)	1112.27	+0.8	11.94	5.39	10.33	36.51	1103.51	1111.46	1120.23	1214.19
61	FINANCIAL GROUP (103)	686.50	-0.2	-	6.92	-	31.79	688.08	690.56	691.59	745.41
62	Banks (9)	736.43	+0.4	22.22	7.82	5.89	42.00	733.85	738.30	736.93	744.65
65	Insurance (Life) (7)	1279.68	-1.7	-	6.00	-	54.97	1301.96	1318.24	1318.71	1209.33
66	Insurance (Composite) (6)	582.96	-2.3	-	7.28	-	27.35	596.90	594.65	599.52	635.26
67	Insurance (Brokers) (8)	830.29	+2.5	9.09	7.74	14.37	41.94	809.70	797.66	789.70	1012.03
68	Merchant Banks (7)	344.50	+0.1	-	5.94	-	12.75	344.08	344.87	349.90	391.59
69	Property (45)	930.32	+1.0	8.12	5.23	16.26	25.08	921.54	925.22	927.65	1170.03
70	Other Financial (21)	245.87	+0.3	11.56	7.10	11.12	11.62	245.20	245.06	245.55	323.67
71	Investment Trusts (66)	998.61	+0.8	-	3.97	-	25.03	991.08	995.18	988.23	1171.92
91	Overseas Traders (5)	1125.47	+1.4	12.71	8.21	9.37	59.65	1109.68	1108.21	1129.13	1283.82
99	ALL-SHARE INDEX (674)	1007.82	+0.6	-	5.58	-	34.93	1001.31	1007.88	1014.56	1100.15

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 17	Oct 16	Oct 15	Oct 12	Oct 11	Year ago
FT-SE 100 SHARE INDEX‡	2082.6	+14.6	2088.9	2065.8	2068.0	2083.6	2101.9	2100.4	2102.2	2189.3

FIXED INTEREST

	PRICE INDICES	Thu Oct 18	Day's change %	Wed Oct 17	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	117.57	-0.06	117.64	-	10.24
2	5-15 years	121.44	-0.31	121.82	-	11.95
3	Over 15 years	122.88	-0.46	123.44	-	9.84
4	Irredeemables	141.49	-0.28	141.89	-	8.85
5	All stocks	122.14	-0.23	122.43	-	11.27
	Index-Linked					
6	Up to 5 years	153.90	-0.10	154.05	-	3.04
7	Over 5 years	137.71	+0.26	137.35	-	3.45
8	All stocks	138.82	+0.23	138.50	-	3.42
9	Debentures & Loans	101.94	+0.01	101.93	-	9.20
10	Preference	73.10	+0.11	73.02	-	5.33

	AVERAGE GROSS REDEMPTION YIELDS		Thu Oct 18	Wed Oct 17	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.66	10.63	10.02
2		15 years	10.93	10.88	9.52
3		25 years	10.93	10.88	9.46
4	Medium Coupons	5 years	11.64	11.57	11.03
5		15 years	11.37	11.32	9.96
6		25 years	11.21	11.17	9.57
7	High Coupons	5 years	11.73	11.67	11.14
8		15 years	11.60	11.54	10.18
9		25 years	11.50	11.44	9.74
10	Irredeemables	†	11.07	11.03	9.52
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.34	4.28	4.03
12	Inflation rate 5%	Over 5 yrs.	4.41	4.43	3.71
13	Inflation rate 10%	Up to 5 yrs.	3.05	2.98	3.14
14	Inflation rate 10%	Over 5 yrs.	4.21	4.23	3.52
15	Debs & Loans	5 years	13.26	13.42	13.54
16		15 years	12.77	12.79	12.20
17		25 years	12.43	12.42	11.67
18	Preference	†	12.98	12.99	10.61

‡Opening index 2069.8; 9 am 2069.9; 10 am 2068.9; 11 am 2068.5; Noon 2066.5; 1 pm 2066.4; 2 pm 2070.1; 2.30 pm 2076.0; 3 pm 2075.7; 4.10 pm 2087.4; (a) 4.00pm (b) 12.22pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	70	18
Corporations, Dominion and Foreign Bonds	1	4	16
Industrials	337	253	963
Financial and Properties	168	100	472
Oils	10	37	42
Plantations	1	1	8
Mines	48	21	86
Others	46	58	112
Totals	616	544	1,717

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	131	90	ABI Leisure 10p	98		R4.7	3.3	6.4	6.4
180	F.P.	-	198	170	Faber Prest	175		9.1	3.7	6.9	5.2
2	F.P.	-	4½	3	Finlan Group 1p	3½		-	-	-	-
†	F.P.	-	75	43	Golden Vale Ir1p	48		u0158%	5.1	3.3	8.2
-	F.P.	-	24	19	JF Fledgeling Jap. Wts	19		-	-	-	-
100	F.P.	-	98	75	Jupiter Euro Inv Trust	75		-	-	-	-
-	F.P.	-	38	21	Do. Warrants	23		-	-	-	-
§108	F.P.	-	116	101	‡Levercrest 5p	101		R4.05	2.4	5.3	8.1
-	F.P.	-	22	20	‡MBI 1p	22		†1.0	2.4	6.1	8.5
†	F.P.	-	17	9½	‡Paramount 2½p	9½	-½	-	-	-	-
†	F.P.	-	53	38	‡Pelican 20p	38		-	-	-	-
100	F.P.	-	90	83	River & Merc Smaller Co	89		K3.75	-	5.6	-
-	F.P.	-	26	18	Do. Warrants	23		-	-	-	-
§100	F.P.	-	102	88	Siam Select. Growth Tst.	89		-	-	-	-
-	F.P.	-	38	28	Do. Warrants	29		-	-	-	-
§100	F.P.	-	96	93	Smaller Co's Inv Tst 50p	93		-	-	-	-
-	F.P.	-	23	21	Do. Warrants	21		-	-	-	-
225	F.P.	-	245	208	‡Standard Platform 10p	215		-	-	-	-
100	F.P.	-	102	93	TR European Growth Tst	93		K1.0	-	1.4	-
40	F.P.	-	43	38	Do. Ptg. Sub. 1p	41		F1.0	-	3.3	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	-	101	70	‡Bluebird Toys 12pc Cv. Uns. Ln. 2005	75	+1
100p	F.P.	28/9	102p	93p	Perkins Foods 8p (Net) Cv Rd Pf	96p	
‡	F.P.	-	90p	75p	Rank Org. 8.25p (Net) Cv Cm Rd Pf 20p	88p	+1
100p	F.P.	-	121p	106p	Reckitt & Colman 9.5pc Cv Bds 2005	117p	+1½
100	F.P.	-	110½	101¼	Tesco Capital 9pc Cnv. Cap. Bd. 2005	107¼	+½
100p	F.P.	-	100¼p	73p	Wace Grp. new 8pc Cnv. Pf. £1	73p	
100p	F.P.	-	105p	50p	Wyndham Group 9.375pc Cm.Pf	50p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
25	Nil	-	¼pm	¼pm	‡ATA Selection	¼pm	
16	Nil	-	2pm	½pm	Greenwich Resources A 5p	½pm	
220	55	23/7	90	33	Ratners	45	-2
180	Nil	-	27pm	22pm	Sinclair (Wm.) Hldgs	25pm	
5	Nil	-	8pm	6pm	Sycamore Hldgs. 5p	6pm	
250	Nil	-	25pm	6pm	‡Wyevale Garden Cntrs. 50p	6pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". ı Introduction. § Placing price. †† Reintroduction. ◆ Unlisted securities market. * Third Market. ‡ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Oct. 15
- Last Dealings Oct. 26
- Last Declarations Jan. 24
- For settlement Feb. 4

For rate indications see end of London Share Service

Calls in ADT, Haemocell, Brent Walker Pref. and Richmond Oil & Gas.

LONDON TRADED OPTIONS

A RALLY on Wall Street drove equity futures higher yesterday, while in traded options dealing was subdued after the expiry of the October stock options.

The December FT-SE 100 index contract was pushed off its lows as a technical squeeze developed. An absence of sellers and weaker oil prices contributed to the advance.

December's premium over the cash index widened to 55 points at one stage, which encouraged arbitrageurs to sell futures and buy stock, thereby pulling the stock market higher.

At the close, December was up 21 points at 2,139.5. Its premium over the cash index ended at 52 points, unchanged on the day and compared with fair value of 46 points.

In the traded options market, dealing fell by a third after the expiry in the previous session of the October stocks. Total turnover stood at 30,588, of which calls accounted for 12,747 and puts 17,841.

In the FT-SE index options, the October 1,900 puts were the most popular as James Capel sold 500 of that series and also sold 500 October 1,950 puts. In total, 10,148 FT-SE index options changed hands, of which calls were 6,400 and puts 3,748.

Fisons was the most active stock option due to a large market-maker cross trade. Fisons traded 2,102 contracts, with puts predominating.

Oil stocks also featured as the oil price retreated. BP traded 1,985 lots, with business evenly divided between calls and puts.

Next on the list was Trusthouse Forte (1,580 lots) as one broker sold 800 December 260 puts. Trusthouse trades were divided between 1,330 puts and 250 calls. The November 280 puts were the most active and traded 310. Other busy stocks included British Telecom (1,124); and Allied-Lyons (1,070).

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*477)	420	70	85	88	6½	11	16
	460	40	57	62	16	23	30
	500	21	37	40	38	43	48
ASDA (*129)	120	18	22	27	5	9	10
	130	12	16	20	9½	13	12
	140	8	9	13	-	17	19
Brit. Airways (*140)	130	19	23	25	8	10	12
	140	15	16	18	13	13	17
	160	6	8½	-	25	26	-
SmKl Beecham A (*584)	500	103	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	550	62	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	600	32	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*321)	280	48	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	300	33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	330	16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.P. (*338)	300	47	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	330	26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	360	14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Steel (*123)	110	16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	120	9½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	130	5½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bass (*1047)	1000	85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	1050	57	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	1100	33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C & Wire (*420)	390	52	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	420	33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	460	18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds (*319)	300	35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	330	19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	360	8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union (*469)	420	73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	460	42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	500	23	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GKN (*310)	280	45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	300	31	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	330	14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met. (*582)	550	64	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	600	34	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	650	17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I. (*816)	750	107	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	800	72	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	850	45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kingfisher (*380)	330	63	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	360	44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	390	24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ladbroke (*276)	260	28	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	280	18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	300	11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Secur (*508)	460	63	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	500	37	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	550	15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
M & S (*240)	220	30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	240	17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	260	8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STC (*277)	260	37	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	280	24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	300	14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sainsbury (*307)	280	39	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	300	25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	330	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*448)	420	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	460	25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	500	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Storehouse (*134)	120	21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	130	13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	140	8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Trafalgar (*198)	180	30	37	45	14	22	26
	200	16	24	32	25	31	36
	220	9	16	-	39	45	-
Utd. Biscuits (*317)	300	35	42	47	8	14	16
	330	17	24	30	22	27	27
	360	6	13	-	45	46	-
Unilever (*645)	600	72	92	107	14	24	32
	650	42	62	80	38	44	52
	700	19	38	-	65	72	-
Ultramar	300	42	52	58	7	12	14

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*218)	200	25	36	37	4	10	11
	220	13	19	23	10	14	18
Amstrad (*63)	60	7	10½	14	4½	8	9
	70	2½	6	9½	10	13	14
Barclays (*360)	357	27	-	-	17	-	-
	360	-	40	48	-	31	32
Blue Circle (*214)	200	26	34	38	5	11	15
	220	13	23	25	16	20	26
British Gas (*214)	200	22	25	33	3½	6½	8
	220	9	14	23	11	13	16

UK COMPANY NEWS

Astra reveals full impact of failed Belgian offshoot

By Richard Gourlay

ASTRA HOLDINGS, the munitions and fireworks manufacturer under investigation by the Department of Trade and Industry, yesterday revealed the extent of financial problems that culminated with the collapse of a Belgian subsidiary in July – less than a year after it was acquired with the proceeds of a rights issue.

In unaudited results produced by a new board brought in by institutional investors last March, the company said it had a deficit on revenue reserve of £65m after pre-tax losses and extraordinary items for the year totalling £67.7m.

A transfer from shareholders funds to cover the deficit on revenue reserves, which is the cumulative total of profits and losses, will require High Court approval.

Net assets on the new balance sheet were reduced from £90.6m to £22.7m, while debts at year-end stood at £42m.

The report raises questions about whether shareholders were made aware of the company's precarious financial position in July 1989 when they were invited to pay £1.20 per share for a £32.6m rights issue. Yesterday Astra shares closed little changed at 7.5p.

In the report, Mr Roy Barber, the new chairman, said that Astra had been in breach of loan covenants on its £50m credit facility since the beginning of 1989, except for a brief period following the receipt of the rights issue proceeds. The rights issue document did not directly refer to this breach of covenants.

Astra used about £22m of the proceeds to pay for Poudreries Réunies de Belgique (PRB), the Belgian munitions company, and added about £11m to working capital.

Mr Barber said no "effective" warranties were obtained from PRB in respect of the acquisition price.

The company was indemnified pound for pound for any if pre-tax fell below the £2.3m PRB forecast for 1989, but was not covered for the £12m loss it incurred.

Astra's net assets at the time it bought PRB, its largest acquisition, were valued at £53m.

At the pre-tax level, Astra reported losses of £24.3m, against £8.1m profit the year before, on turnover down 6 per cent at £90.2m. It provided £10.7m in exceptional items, covering costs of redundancies and reorganisation, and the largest item, a £4.1m provision for overvalued inventory.

Below the line, there was an extraordinary charge of £41.2m – some £18.2m of which was related to the collapse of PRB. A further £18.2m was provided to write off a surplus on revaluation of fixed assets that the previous board made in 1989.

Royal sets up new insurance offshoot

By Richard Lapper

ROYAL INSURANCE, the leading UK insurer, yesterday announced the formation of a new specialised subsidiary to underwrite the worldwide insurance risks of multinational companies. The new company should help Royal win more business in a highly competitive market.

Existing multinational business from Royal Insurance's UK, US and international subsidiaries will be fed into the new company which expects to have an annual premium income in excess of £150m.

Of this business 70 per cent will be European, 25 per cent will be from the US and 5 per cent from the Pacific Basin.

Royal's existing marine business and management will be merged into the new company, which will begin operations in January 1991 and be based at Royal UK's existing offices on Lime Street, EC. Supporting offices are to be located in New York, Rotterdam and Sydney.

Mr Tim Brown, currently a general manager with Royal UK, will be the first managing director.

Royal has had a long-standing ability to write insurance programmes for its multinational clients. But hitherto these have been put together on a country-by-country basis, a sometimes cumbersome and time-consuming process which has been criticised by brokers. As a result Royal has lost out to fierce competition from both US and European insurers.

A recent survey by the London-based consultancy Risk & Insurance Research Group, showed that even among UK buyers, Royal was regarded as being only the fourth most effective supplier of international insurance programmes.

Mr Roy Randall, head of group corporate relations at Royal, said the company had taken heed of this research in drawing up the new proposals. The new company will be a "dedicated unit to provide a competitive edge with the major brokers".

Troubleshooter may move in at Dan Air

By Paul Abrahams

DAVIES & NEWMAN, the parent company of Dan Air, is expected to make a statement on Tuesday about its plans for the troubled airline subsidiary.

The company confirmed yesterday that talks had taken place with Mr David James, the executive chairman of Eagle Trust, about the possibility of his joining the company. No discussions took place yesterday, however.

Mr James, who was brought into the Eagle Trust group as a troubleshooter a year ago, has a reputation for turning companies around.

Davies & Newman said it was unwilling to comment on speculation about the future of Dan Air until it had made the statement. Its shares closed unchanged yesterday at 140p. At the beginning of the year they were trading at 775p.

Mr Graham Hutchinson, managing director of Dan Air, recently said that British civil aviation was passing through the most difficult and uncertain climate it had ever had to face. Davies & Newman incurred a loss of £3.34m last year against a profit of £9.88m in 1988.

The company, which runs the second largest charter operation in the UK, has been affected by the slowdown in the UK economy and collapse in demand in the UK holiday market.

In addition, rising costs, in the form of airport landing charges, air traffic control fees and high interest rates which have increased the cost of aircraft ownership, have taken their toll on the company.

The increase in the cost of aviation fuel following the Iraqi invasion of Kuwait has also affected the airline which has an unusually high proportion of old, less fuel-efficient aircraft.

The troubled company has been looking for a partner since the summer. It is understood that American Airlines and Delta, as well as All Nippon Airlines of Japan have been interested in acquiring a stake in Dan Air.

The carrier has a number of valuable take-off and landing slots at overcrowded European airports. However, it is not clear whether Dan Air would be allowed to transfer the ownership of the slots to a non-UK airline.

The company recently announced that its successful engineering business, which has a turnover of about £50m, was for sale.

Acatos buy-out backer quits

By Andrew Hill

A CONTINENTAL European company which planned to support the proposed buy-out at Acatos & Hutcheson has dropped out of discussions, but the edible oils processor is still talking to potential British institutional investors.

Negotiations between Acatos and the trade investor, which would have had an equity stake in the takeover vehicle, did not founder on the financial terms, but on certain other provisions in the buy-out agreement.

Advisers at Acatos said this was not a major setback and the buy-out team, headed by Mr Ian Hutcheson, the group's chairman, has now approached another potential institutional investor.

The buy-out, first suggested in June, would be pitched at 130p-a-share for a total of £42m, and would leave Mr Hutcheson and his family with roughly half the shares in the private company. The balance would be held by institutions and any existing shareholders who decided to accept a paper alternative to the cash offer. The funding package would also include debt.

Acatos announced it was at an advanced stage of discussions at the beginning of last month. Formal terms of the deal could be announced within the next four weeks, although advisers refused to commit themselves to a firm timetable.

City of Oxford Inv

City of Oxford Investment Trust is paying a second interim dividend of 1.05p and is forecasting a total of 4.5p for the year. In the six months to September 30 1990, earnings came out at 2.21p (3.11p) from total revenue of £709,000 (£940,000). Net asset value per zero dividend preference share at the end of September was 60.6p (53.7p) and per ordinary income share 30.6p (55.8p).

Ramus tumbles into loss

SHARES in Ramus Holdings, the USM-quoted distributor of ceramic wall and floor tiles and self-assembly kitchen furniture, fell 7p to 41p yesterday on news that the company had run up a pre-tax loss of £583,000 for the year to end-June.

The final dividend is being omitted leaving shareholders with a 1.5p (7.5p) payment for the year. Loss per 25p share emerged at 9p (earnings 19.5p).

The loss, struck on a turnover of £44.9m (£51.67m), compared with previous profits of £1.26m. Interest charges rose to £974,000 (£613,000).

The directors blamed the result on the problems suffered by the housing and home improvements markets during the past 18 months.

Trevor Humphries

Growth in all divisions boosts Albert Fisher

Mr Tony Millar (centre), executive chairman of Albert Fisher Group, the acquisitive fresh food distributor and processor, yesterday announced a 65 per cent increase in pre-tax profits to £74.42m in the year to August 31.

His fellow directors are (left to right): Mr Keith Brackpool, chief executive, North America; Mr David Pearce, chief executive, European fresh produce; Mr Ian Quinlan, finance director; and Mr Richard Portergill, chief executive, European food processing.

The group said the US showed underlying organic growth of 18.3 per cent, with operating profits of £21.25m. European fresh produce grew by 23.2 per cent to make operating profits of £14.6m and European food processing and distribution had operating profits of £28.09m – organic growth of 21.5 per cent.

Cauldon seeks £2.4m and plans name change

By Clare Pearson

CAULDON Group is proposing to raise £2.4m via a 1-for-4 rights issue and plans a change in name to Reece, reflecting its reverse takeover of the cycle components distributor and exterior door panels manufacturer in April.

Additionally, it is selling its nursing homes less than 18 months after it bought them.

The rights funds will be used to build up the manufacturing and distribution activities. The company is acquiring a fasteners distributor from Wheway, the environmental control and engineering products group, for about £900,000.

A total of 24m shares are being issued at 11p each. Yesterday Cauldon's shares closed ½p down at 12½p.

Cauldon is taking a £461,000 extraordinary loss on the £810,000 sale of the two nursing homes, bought in June last year. They have incurred a loss during the period since then.

Another loss-making part of the group, Burslem Productions, the specialist tools and mouldings company, was sold for £130,000 last week.

Cauldon said the acquisition of Wheway's fasteners division would add depots in Gwent, Manchester and Cleveland to those acquired in the Midlands with the purchase of Delingpole Fasteners in June.

Acorn dives to just £42,000

Profits of USM-quoted Acorn Computer Group dived from £2.08m to £42,000 pre-tax in the six months ended June 30. Figures for the comparative half year included an exceptional credit of £1.2m.

Turnover was virtually static at £22.07m (£22.1m). Interest charges accounted for £319,000 (income £30,000) and below the line, an extraordinary provision of £284,000 (nil) represented a write-off of the 25.3 per cent investment in Torus Group where a receiver was appointed in July.

Intl IT Co of Jersey reduced to £0.24m

International Investment Trust Company of Jersey made pre-tax profits of £239,000 in the first half of 1990, against £320,000 in the corresponding period.

Of the taxable figure, investment activities contributed £147,000 (£201,000) and the share of profits from related companies added £92,000 (£119,000).

Tax took £87,000 (£121,000), leaving post-tax profits at £152,000 (£199,000). Earnings fell to 3.7p (7p) but the interim dividend, already announced, is raised to 8p (7p).

CONTRACTS & TENDERS

Maxwell puts together funds for debt payment

By Raymond Snoddy

MR ROBERT Maxwell, the publisher, said yesterday he would use the proceeds of disposals, the redemption of loan stock and a short-term bridging loan to repay $415m in debt due on October 23.

Mr Maxwell, chairman and chief executive of Maxwell Communication Corporation, said that arrangements had now been made to make the repayments on the due date.

The repayment package includes money from the sale of MCC stakes in Quebecor Printing and Donohue newsprint mills of Canada to Mirror Group, Mr Maxwell's private newspaper publishing company in a deal worth £128.7m. Bankers Trust International has, Mr Maxwell said, confirmed that the terms were fair and reasonable to MCC shareholders.

The disposals to MGN however require the approval of MCC shareholders and an extraordinary general meeting has been called for November 5, more than two weeks after the short term loan is due. The two Canadian sales and other further disposals are expected to raise a total of £379m at current exchange rates.

MCC also said yesterday it had reached agreement with Mirror Group for the early redemption of the redeemable convertible unsecured loan stock in Mirror Group.

The loan stock will be repaid on October 22 the day before the main repayment is due at par plus £13m of interest, making a total of £55m.

MCC said the $415m payment would be made substantially out of the proceeds of completed transactions, including the redeemed loan stock and short-term bridging facilities which will in turn be repaid with the proceeds of the Quebecor and Donohue sales after the emergency meeting.

Ketson calls on bank to appoint a receiver

By Andrew Hill

KETSON, the public relations group which escaped a bitterly fought hostile bid last year, has fallen foul of the weak UK economy and asked its bank to appoint an administrative receiver.

Ketson returned to profit in April after an extensive restructuring programme, but Mr Rupert Stanbury, chief executive, said yesterday that nervousness in the financial services sector had hit the group hard in the last few weeks.

The group has four principal divisions: Moorgate, a PR and training consultancy; Whitelion, which is involved in the production of corporate and commercial videotapes; JMA, a PR company based in the Far East; and Cooper Directory Marketing.

Mr Stanbury estimated that about two-thirds of Ketson's business was dependent on the financial services sector.

"We are not losing any clients at all but many of them are saying that given all the uncertainty in the economy they don't want to launch any new projects," he said yesterday.

Ketson's shares were suspended yesterday morning at 3½p, valuing the whole company at only £2.7m.

The administrative receiver will probably be named today.

The group warned of difficult trading at its August annual meeting, but seemed to have overcome the worst last year, when shareholders supported radical refinancing proposals in preference to a hostile consortium bid.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Astra ......fin	nil	-	2.5	nil	4.35
C'field Props ......int	7	Dec 28	6.5	-	17.5
Chillington ......int	2	Jan 2	3.25	‡‡	5.35
Cradley Group ......fin	1	Jan 8	1	1	1
Fisher (Albert) ......fin	1.85†	Jan 4	1.5	3.35	2.75
Forward Tech ......int	nil	-	0.6	-	1.8
French Connect § ......int	0.9	Dec 7	0.9	-	2.7
Gerrard & Nat ......int	6†	Dec 5	3	-	19
Jarvis ......int	0.825	-	0.825	-	1.875◆
Linton Park ......int	2.5	Dec 19	2.5	-	12
London & Assoc ......int	0.05	Jan 2	0.05	-	0.46
Prestwick Hldgs ......fin	1	Dec 17	1	1.5	1.5
Ramus Hldgs § ......fin	nil	-	5	1.5	7.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡‡Total of at least 5p forecast. ◆For nine months. ‡To reduce disparity.

FT-Actuaries Indices year-end group changes

At a meeting on Tuesday October 16 the Classification Sub-Committee agreed to recommend to the Joint Investment and Index Committee of the Institute and Faculty of Actuaries that they discontinue the following index groups: Agencies (41), Publishing and Printing (53) and Overseas Traders (91) at the end of 1990. These will be replaced in 1991 with new groups for Business Services (new 41), Electricity (45) and Media (30).

Composition of the Business Services group is still under discussion but will be based on the present Agencies group augmented by companies from outside that group.

The Media group will comprise Stock Exchange category 52 (Newspapers and Periodicals), part of the present Publishing and Printing group with the addition of Broadcasting Contractors, a new Stock Exchange category to be extracted from Leisure (FT-A 29, SE 48).

The inclusion of certain companies currently classified outside these Stock Exchange categories is still under discussion.

Fading fortunes blight star of small companies sector

Clare Pearson reports on events leading to the decision to put Corton Beach into receivership

THE decision by Corton Beach's bankers last week to send it into receivership has brought to an abrupt end one of the longest-running success stories in the small companies' sector.

A Lancashire-based mini-conglomerate comprising motor dealerships, leisure, food businesses and a stake in a clothing company, Corton was one of those entrepreneurial companies for which the junior markets were created.

Mr Mike Keen, its ex-accountant chairman who took over in 1984, seemed the very model of the mid-1980s entrepreneur.

Its shares were traded under the Stock Exchange's matched bargain rule before it became one of the first recruits to the newly-created Third Market in 1987. In 1988, it graduated to the USM and also floated Propeller, the clothing company, on the Third Market.

Corton is in receivership, but Propeller has also run into difficulties and is seeking holders' approval for what amounts to a rescue rights issue.

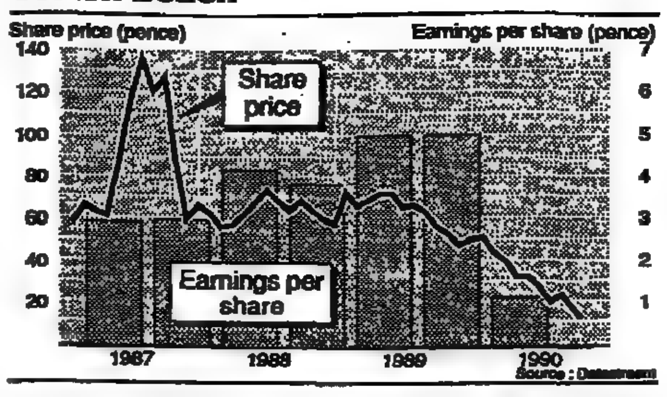
The striking thing about Corton was that, unlike many other small companies, it carried on flourishing even in the more difficult times that followed the Stock Market crash three years ago. After the crash, Corton was deprived of highly-rated shares with which to finance its acquisitive ambitions. But instead it concentrated on buying private companies on an earn-out basis.

This route has the advantage that only a fraction of the consideration is payable up front and future profits should pay for the rest. Meanwhile the acquisition makes a full contribution to group results. Last autumn, for instance, Corton bought R.H. Belam, a private US distributor of amusement machines and spare parts for a maximum of $12m. But it paid just $750,000 on completion.

Corton's biggest move in recent years, however, came in June 1989 when it paid £13.6m for Lyon & Lyon, a quoted Yorkshire motor dealer. For this it decided to go back to the stock market for funds, though the £10.9m rights issue took the form of convertible preference shares.

In January, Corton tidied up its debt by arranging a £25m syndicated loan facility. But bankers involved terminated refinancing discussions last week. They are keeping their reasons for doing so shrouded in mystery. Mr Keen and other directors of the company have not been available for comment this week.

Corton Beach



Gordon Horsfield, the receiver appointed at Corton, cites as reasons for its financial decline, "the depressed property market, high interest rates and recessionary pressures, together with trading difficulties in parts of the group's food division."

The annual report for the year to end-January was upbeat in tone. It showed record profits and earnings and contained a statement from Mr Keen saying that each division had traded profitably and made substantial progress, despite adverse conditions in a number of markets.

Closer inspection, however, indicated that if the company adopted different accounting conventions, its financial situation could have looked less rosy. For instance, £757,000 worth of interest relating to acquisitions (against nil the year before) was capitalised, commensurately boosting the pre-tax line.

Corton's balance sheet showed the company's net worth was £19.46m. But goodwill arising on acquisitions amounting to £17.89m was included within fixed assets. There were sharp rises both in stocks and debtor levels. Borrowings had risen to about [illegible].

Corton had run into trouble with the Lyon & Lyon acquisition shortly after it was made. The company announced that the Ford franchise, which it thought it had bought with L&L, was not being continued. But Corton hoped to redeem this by selling the company's properties to reduce borrowings.

Meanwhile, things had been going wrong at Propeller after it bought Newcross Impex, owner of the Skopes menswear label, in October 1989 for £6m maximum. The company has now been sold back to the vendors, booking an £1.84m extraordinary loss along the way.

During the half-yearly period it reported on shortly before going into receivership, Corton was still in pre-tax profit, albeit reduced to £1.23m (£2.26m).

Corton had also embarked on a drive to reduce borrowings. It seemed to be making some progress when it was announced in August that contracts had been exchanged for the sale of five freehold properties for £3.2m. Mr Keen said the values achieved had been pleasing.

It can only be surmised that Corton's bankers were not satisfied with progress or prospects for the disposal programme. It has also been suggested that their decision may have been affected by the depressed condition of the UK car market, though Corton's dealerships were thought to have performed well through the summer.

Whatever the reasons, the decision to send Corton into receivership would also seem to be in line with an increasing tendency for lenders to take what one banker describes as "a fairly hawkish view" of small companies in difficulties.

Those who hoped that Corton had enough of a track record to weather the storm until the stock market fashion for small companies came round again have been sorely disappointed.

● Propeller yesterday said that Mr Martin Helme had resigned after less than a year as its finance director. Mr Anthony Corlett, an independent corporate finance adviser, has been appointed a director and acting finance director.

UK COMPANY NEWS

A stalled engineer in need of a quick kick-start

Patrick Harverson looks at APV, which had wrongly thought itself to be in a recession-proof market

APV, the UK engineering group that is the world's largest manufacturer of processing equipment for the food and drink industries, is having to adjust to difficult times. After four years of uninterrupted growth, APV has stalled.

Last month, City nervousness over the group was such that APV's share price lost more than a quarter of its value in one day. This was after the company issued a warning about profits for the rest of the year alongside disappointing interim pre-tax profits of £24.6m (£24.2m).

When APV's full-year accounts for 1989 were unveiled earlier this year the shaky state of the balance sheet had shocked the City, which had been expecting much lower gearing and tighter financial controls.

Since then, sentiment has had not chance to recover. September's warning about the trading outlook only served to deepen the bearish mood among investors. APV's shares have recovered to 89p from 69p after its plunge last month but they still stand far below the 1988 high of 159p.

The hurdles the group faces are numerous.

Trading conditions are tough in key world markets at just the wrong time, when APV is committed to heavy capital expenditure on new plant and a vital restructuring programme to improve efficiency and the management of working capital (which so far has cost between 300 and 400 jobs out of 4,495 in the UK alone).

APV has also been on the receiving end of some sharp press and City criticism of its financial controls and the state of its balance sheet.

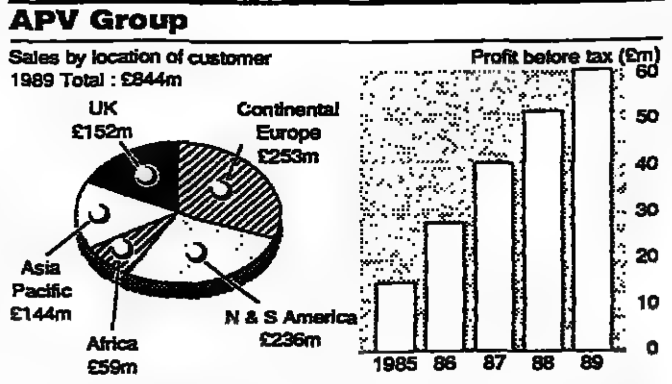
Although 1990 is proving an unhappy year, APV's recent history is impressive.

After fighting off an unwanted bid from rival UK group Siebe in 1986, several ambitious acquisitions enabled APV to more than double in size in the following three years. Turnover rose from £417m in 1986 to £844m in 1989 and after-tax profits more than doubled to £60.6m in the same period. The group's global reach expanded to cover five continents, and long-term prospects looked bright, with much talk of a "blue-chip" customer base and unexploited eastern markets.

The acquisitions – Baker Perkins (UK, bakery and confectionery), Pasilac (Denmark, dairy) and Rosista (west Germany, carbonated drinks) – may have been the engine of growth for APV, but they are also the source of the group's present financial predicament. As one City analyst put it: "They got themselves into something of a pickle over the acquisitions because they did not pay too much attention to the financial implications."

In particular, integrating the £147m Baker Perkins group into APV proved troublesome. The cost of selling the Baker Perkins printing business and relocating its bakery oven operation was far greater than expected, and led to a £50m shrinkage of shareholders' funds to £131m in 1989.

APV Group



At the same time APV wrote off £40m-worth of goodwill and was forced to make substantial provisions against a number of printing machinery contracts. Gearing ended the year at 42 per cent, and stock and debtor levels rose alarmingly as demand began to fall and economic activity slowed.

Mr Fred Smith, chief executive of APV since 1984, accepts that criticism of the group's balance sheet has been valid. "I'm not happy with it. The debt/equity ratio is too high. But strict disciplines are being imposed, along with better and more accurate reporting methods.

"Borrowings are well covered by earnings, and we're working on the debtor levels daily."

Mr Smith is confident that Mr Neil French, the finance director, will do the job of sorting out the books that he was brought in for last year. Mr French is the fourth finance director in as many years, a turnover that critics believe contributed to the absence of tight controls over the group's finances.

One of the remedies has been to concentrate on the core businesses.

The printing operation has been sold, and the plastics machinery interests are up for sale (APV is negotiating with a number of prospective buyers in North America). Of the group's remaining non-core operations, both Vent-Axia, the fan and air conditioning equipment business, and the escalator manufacturer, are doing well enough to be left alone for the moment.

Strengthening APV's financial position has used up much energy and enterprise that might have been employed on fresh acquisitions. But the group's advance has been further hindered by stagnating demand in several markets, something which has undermined the belief that APV operated in a recession-proof business.

It had been argued, not least by the company itself, that manufacturers of food processing equipment were well protected because consumers maintain their spending on food during hard times (and perhaps even increase it). This suggested that food manufacturers would continue to thrive in a recession, and continue to order new processing equipment.

Yet in the past six months this theory has been proved wrong. Food manufacturers have cut investment expenditure and postponed the replacement of old equipment under the pressure of high interest rates and in anticipation of a recession. This has been most noticeable in the UK, which makes up 20 per cent of APV's market.

There has been a similar slump in demand elsewhere. The strength of the pound against the dollar has affected APV's US sales, which account for almost a third of group turnover.

APV has moved to counter the effect of exchange rate instability by developing manufacturing operations in the US, but the process is not yet complete, and greater competition from American equipment suppliers has further eroded its market share.

In Australia, the troubles of the local brewing industry has hurt. Spending on capital equipment has dried up completely while Elders and the Bond Corporation struggle with their financial problems.

There have also been problems in the region that APV hoped would offer the quickest route to growth: eastern Europe.

Although the potential demand is still there, the economic chaos in the Soviet Union, its former communist satellites, and China, has stalled the decision-making process. No one is willing to make decisions about ordering western industrial equipment until the new decentralised management structure is in place.

In APV's case it means that a £20m contract for a bread-baking complex to serve the Moscow area is sitting around unsigned. An exasperated Mr Smith said: "An order could be placed tomorrow and we'd be ready."

The one bright area on APV's map is Germany, where demand is strong and where the reconstruction of old East German industry could provide a rich mine of new orders.

However, APV will not escape its current problems easily, and there has been speculation that the group might be the subject of a hostile bid.

Mr Smith, while accepting that all companies are concerned about vulnerability to takeovers, is not unduly worried. "When Siebe made their bid there was much they could do with APV. I doubt there's much to be done to improve the company now, and if there is, we're already doing it."

All-round growth for Gerrard & National

By David Lascelles, Banking Editor

GERRARD & NATIONAL, the discount house and financial services group, said that results at the interim stage up to October 5 were slightly ahead of last year, though as is customary, it gave no figures. All parts of the group contributed to the result.

The improvement came in spite of need, the company said, to make a substantial provision because of the deterioration in the economy, which was now clearly moving into recession.

However, Gerrard said that the UK's recent entry into the ERM had had a favourable impact on the markets and led to increased profits in discount house and gilt-edged activities.

The interim dividend will be 6p (3p), which is intended to even out the disparity between the interim and final.

In the year ending April 5 1990, Gerrard earned £8.5m after tax, up from £1.7m the year before.

French Connection cuts loss back to £220,000

PRE-TAX losses at French Connection were considerably reduced in the six months to July 31 from £2.48m to £220,000. Mr Stephen Marks, chairman, said a positive second-half performance was expected.

In the first three months the USM-quoted fashion manufacturer and retailer had shown a pre-tax profit, but returned to losses in the second quarter due to seasonal fluctuations.

Cost and management rationalisation in France should help contain losses in the second period, while action in the US should help to improve its performance in the new year, the company said.

At the end of July bank borrowings stood at £4.7m, compared with £6.1m six months earlier. It was expected that the figure would be similar at the year-end.

Turnover for the period improved to £28.71m (£26.7m) which generated an operating profit of £518,000 (£1.42m loss). The interim dividend is unchanged at 9p.

NatWest Bancorp hit by US banking downturn

By David Lascelles, Banking Editor

NATWEST Bancorp, the US arm of the National Westminster Bank, continued to suffer from the downturn in the US banking market in the third quarter.

The New York-based group yesterday reported a $36.3m (£18.5m) loss for the three months to September 30, compared with a loss of $113.5m. This brings its total loss for the year so far to $126.5m compared with $55.5m.

Mr William Knowles, chairman and chief executive, said that while the third quarter loss was smaller than the second quarter, "our business continues to be affected by the recessionary pressures in the economy."

The bank's loan loss provisions, made necessary mainly by problems in the real estate sector, were $101.6m for the third quarter, bringing the nine months total to $305.1m compared with $251.8m at the same stage last year.

UK COMPANY NEWS

Hartstone in European and London expansion

By Clay Harris, Consumer Industries Editor

HARTSTONE GROUP, the handbag, leathergoods and hosiery distribution company, is moving into continental Europe.

The company, which changed its name from Glamar in March, yesterday agreed to pay Fl 10.1m (£3m) for a 20 per cent stake in Ipko Werner, a German-Dutch hosiery distribution business.

Hartstone has an option to buy the remaining 80 per cent for up to Fl 8m depending on profits over the next three years.

Hartstone also announced the acquisition of Melmart of London, a designer and importer of casual clothing sold under the Pamplemousse name and retailers' own brands.

It is paying an initial £1.5m in cash and shares, £1m in shares next January, with deferred consideration of up to £2.5m.

The two deals mark the first time Mr Stephen Barker, Hartstone's chairman, has used earn-outs at his new company since moving from Albert Fisher Group. The fresh produce concern employed the technique on many of its acquisitions since the early 1980s.

Ipko Werner comprises Amcor and Werner, based in the Netherlands and Germany respectively. The businesses are being sold by Scholl, the UK footcare and personal products company.

Scholl, the former European Home Products, will receive only £300,000 in cash. The resulting £3.2m extraordinary loss was accounted for in interim results announced last month, Mr Bill Bingham, Scholl's finance director, said yesterday.

However, Ipko Werner is assuming £6m of debt immediately and will repay Scholl another £2m in April 1992. Initially, 80 per cent will be owned by Mr Zvi Markuszower, Amcor's general manager and its owner before the purchase by EHP in 1989.

Scholl has yet to receive a disputed £4m final payment from the sale of its Singer sewing machine business to International Semi-Tech Electronics. Even if that sum is not received by the year-end, Mr Bingham expects borrowings to have been reduced to £8m.

Amcor accounts for 45 per cent of the Dutch tights and stockings market and 23 per cent of the socks market. Werner's share in Germany is 2 per cent of tights and 17 per cent of socks. Amcor made a pre-tax profit of Fl 1.26m (£369,000) in 1989, but Werner lost DM6.04m (£2m).

Melmart made pre-tax profits of £698,000 on sales of £17.8m in the year to March. It supplies casual clothes designed in London but manufactured in Portugal, Greece, Turkey and Italy as well as the UK, to retail chains and mail order catalogues.

Melmart's founders, Melanie and Martin Lent, have signed new three-year service contracts.

The deals will be financed in part by the issue of 2.5m Hartstone shares, 9 per cent of the enlarged share capital, at 158p, compared with yesterday's market price of 163p, down 8p.

Prestwick cuts 80 jobs after profits dive to £1.2m

By James Buxton, Scottish Correspondent

PRESTWICK HOLDINGS, the Scottish-based printed circuit board manufacturer, yesterday made 80 of its 490 employees redundant as it revealed halved profits and a slim increase in turnover for the year to July 31 1990.

The company, which was floated at 100p per share in 1985 but whose shares closed yesterday at 32p, down 1p, made pre-tax profits of £1.2m, compared with £2.1m in 1989. Turnover was £28.79m (£26.89m).

The company is maintaining its total dividend for the year at 1.5p and has reduced gearing from 16 per cent in 1989 to 6 per cent. Earnings per share were 3.1p (6p).

Last month Mr Wayne Osman, 41, became chief executive. He was formerly chairman of the electronics division of B. Elliott and prior to that a senior executive with Crossfield Electronics, part of De La Rue.

Mr Osman's appointment followed a series of boardroom changes at Prestwick. In February Mr David Simpson resigned as chairman and was replaced by Mr Bill Miller, a founder, past managing director and major shareholder. Mr Miller also became chief executive while a long-term occupant for the post was sought.

Mr Osman said yesterday that he had reorganised the management team, involving the departure of Mr Douglas McKenzie, previously managing director. The reduction in the workforce was necessary to improve efficiency.

Although Prestwick earlier this year blamed poor interim results partly on a sharp drop in orders from British Telecom, Mr Osman said the real problem was the company's long-running failure to reduce costs as customers demanded lower product prices. It had failed to exploit many of the opportunities available in the Scottish electronics industry and directly exported only about 10 per cent of output.

The first six months of the current financial year would be tough because the printed circuit board market was suffering a downturn due to the UK recession. But he said the changes made meant that Prestwick was "well-positioned to grasp the opportunities emerging in our industry."

It had cash balances of £4.2m, as well as lines of credit available from its bankers which would enable it to make acquisitions in complementary fields without going to shareholders for money.

Billiton surges to $262m

By Kenneth Gooding, Mining Correspondent

BILLITON, which includes most of the mining and metals operations of the Royal Dutch/Shell group, boosted net earnings by more than a third, from $193m in 1988, to $262m (£133.7m) last year.

About 70 per cent of Billiton's $1.71bn of capital employed is accounted for by its aluminium operations (including bauxite mining and alumina production).

Last year the organisation produced 4.2m tonnes of bauxite, down from 4.47m tonnes, 1.8m tonnes of alumina (1.68m tonnes) and 114,000 tonnes of aluminium (109,000 tonnes).

NEWS DIGEST

Forward Tech falls into the red

FORWARD Technology Industries went into loss in the first half of 1990, reporting a deficit of £1.13m, against a profit of £925,000 in the comparable period, and warned that the results for the full year would fall far short of last time's £2.27m.

The company, which makes ultrasonic cleaning and welding equipment and is a specialist in video/audio tape duplication, attributed the downturn to reduced margins and continuing low volumes in the cleaning industry. US operations had been affected by the downturn in that economy.

In addition, Mr Henry Prevezer, chairman, said video activity was not expected to meet projections.

Turnover in the six months to June 30 rose 11 per cent to £19.76m (£17.82m), but at the operating level there was a loss of £828,000 (£1.09m profit). Interest took a further £302,000 (£169,000). A tax credit of £452,000 (£352,000 charge) reduced the loss to £678,000. The deficit per share was 2p (1.7p earnings).

The board has decided to defer consideration of a dividend until the full year's results are known.

Lower exceptionals leave Cradley down

Lower exceptional income resulted in a fall in taxable profits at Cradley Group Holdings from £1.87m to £1.65m in the year to June 30. Turnover for the West Midlands-based printer was 32 per cent higher at £22.57m, against £17.16m.

The company also blamed high interest rates and bad debts of £383,000, mainly with publishers. Without these factors the company said that profits would have been more than £2m.

The pre-tax figure was struck after exceptional profits of £142,000 (£635,000). After tax of £414,000 (£669,000) and a minority credit of £103,000 (£498,000 debit) earnings per share were 3.8p (3.7p).

A single final dividend of 1p (same) is being recommended.

Interest costs rein in London & Assoc

Sharply higher interest payments held back London & Associated Investment Trust in the six months to June 30.

Gross income rose 43 per cent from £903,000 to £1.29m, but interest charges took £471,000 (£181,000), which left taxable profits at £442,000 (£431,000).

The group's property portfolio is made up mainly of shopping centres. The value of the portfolio of listed investment was £1.34m at October 1, against £1.69m at December 31 1989.

The interim dividend is a same-again 0.05p, on earnings per share of 0.64p (0.63p).

There was little change in the results of Bisichi Mining, in which London & Associated holds a 38 per cent stake. Interim pre-tax profits of £78,000 compared with £75,000 last time on gross income up from £239,000 to £254,000. Interest payable fell to £5,000 (£8,000). Earnings per share were 0.55p (0.53p).

Jarvis at £0.7m and warns on full year

Jarvis, the construction and property group, reported pre-tax profits of £708,000 on turnover of £34m for the six months to June 30.

Due to the adoption of a calendar year-end the company has chosen to compare the figures with those of the six months to September 30 1989, when profits were £1.07m and turnover was £35m.

Earnings per share were 2.6p, against 3.6p, and the interim dividend is a same-again 0.825p.

The company said that, after a number of acquisitions and disposals, net borrowings were still about 10 per cent of shareholders' funds and that this left the group in a position to face the problems of the recession in the property and construction industries.

However it warned that profits for the full year to December 31 would be below the £2m reported for the nine months to December 31 1989.

Chesterfield nears £8m

Chesterfield Properties continued to progress through the six months to end June and for the period experienced a profits advance of £1.55m to £7.84m at the pre-tax level.

Rental income rose to £13.61m (£10.46m) but interest charges accounted for £910,000 more at £3.47m. After tax of £2.34m (£1.78m) and minorities of £650,000 (£223,000) earnings emerged at 21.1p (17.97p). The interim dividend is being lifted by 0.5p to 7p.

The directors said current high interest rates would have a more noticeable effect on the second half. They added, however, that the main consequence of the marked weakening of the commercial property market was expected to be a lower valuation of the group's property portfolio at the year-end.

Lead and zinc production forecast to rise sharply

By Kenneth Gooding, Mining Correspondent

DEMAND FOR lead and zinc could be expected to remain at record levels in 1991 but, as production was forecast to rise sharply, the current tightness of supply should ease, said the *International Lead and Zinc* Study Group yesterday.

However, the inter-governmental organisation pointed out after its annual session in Geneva that the outlook for the world economy was particularly uncertain because of the Gulf crisis and the consequent high level of oil prices. If there was a protracted period of increased energy costs, the forecast growth in industrial activity might not materialise and that would have knock-on effects on the projected consumption of lead and zinc.

With that caveat, the study group suggested that zinc consumption this year would be 5.25m tonnes, little changed from the 5.22m tonnes in 1989. Increased demand in Europe and Japan was offsetting a *weaker trend* in North America.

Zinc metal production in 1990, which had been badly hit by operating difficulties at some plants, was also likely to *show little change* from the 1989 level of 5.22m tonnes. "A continuing tightness in available metal supplies strengthened prices earlier in the year but the market is now better *balanced," the study group* said.

Current trends in zinc consumption were forecast to be maintained during 1991 with demand in Europe remaining firm, *further growth in Asia* but some continuing weakness in North America.

The study group pointed out that a substantial rise in mine production was planned, so were increases in metal output in Europe and Japan.

Although zinc metal output might still be subject to operating difficulties and industrial disputes, "some rebuilding of metal stocks from their present low levels appears probable following three years of deficits between supply and demand."

Lead consumption in 1990 was expected to reach 4.43m tonnes, very slightly ahead of last year's record level. Metal production was also likely to show little change, with a reduction in Canada balanced *by higher output* in the US. "The market is well balanced and expected to remain so for the remainder of the year," the study group added.

A 2 per cent rise in lead con*sumption was forecast for 1991*, largely arising from Europe, particularly a unified Germany, and Asia. Expansions of mine and metal production were also indicated as new capacity came on stream but, said the study group, "it is expected that metal production will reflect the trend in demand as it develops during the year."

Brazil to open up 'ghost' mines

By Kenneth Gooding

LARGE AREAS of Brazil will be re-opened for minerals exploration as a result of an exercise being carried out by the National Department of Mineral Production (DNPM).

Several thousand inactive exploration and mining companies will be eliminated together with *about 12,000* mineral titles, "leading to the consequent opening up of new ground and related opportunities," it is suggested in a special report from Mining Journal Research Services.

At the same time, the number of active mining companies registered in Brazil is expected to fall from 4,500 to under 1,500.

The upheaval arises because the new Brazilian constitution, proclaimed in October, 1988, insisted that all mining companies give documentary evidence by June, 1989, to show that effective control was in *the hands of Brazilians or persons* resident and domiciled in that country.

The DNPM is currently examining the documentation and is expected shortly to publish a list of companies that fail to conform to the new requirements.

The report suggests that in practice many international mining companies active in Brazil – including the RTZ Corporation of the UK, Anglo American Corporation of South Africa, Gencor of South Africa, and Western Mining of Australia – have already moved to give local partners majority *shareholdings*.

Details of the 1,250 largest known minerals deposits in Brazil and of planned production of 26 minerals are also included in the report.

"Mineral Industry Profile of Brazil," US$650 from Mining Journal, 60 Worship Street, London, EC2A 2HD.

Farmers plant maize in place of soya

By Victoria Griffith in Sao Paulo

BRAZILIAN FARMERS are substituting maize for soyabeans because of a hefty increase in this year's maize prices and a severe lack of credit in the Brazilian market.

As soyabeans previously sold for about twice the price of maize the recent evaporation of the differential has made soyabeans look relatively unremunerative. Maize producers, meanwhile, have been enjoying the most buoyant market conditions for three years.

Mr Luiz Pinaza, director of planning and marketing at Grupo Agroceres, which has a 50 per cent share of maize seed sales, said his company had seen a "very large increase" in demand for maize seed over the past few months.

Mr Antonio Chedid, vice-president of the Grain Futures Market in Sao Paulo predicted that Brazilian maize production would rise by 20 per cent this year. Maize is cheaper to plant than soyabeans, he explained, and Brazilian farmers, caught in a credit squeeze, were desperately looking for ways to cut corners.

According to Mr Chedid, farmers will also start substituting maize for wheat, trading in which is scheduled for privatisation. He predicted that, with wheat prices set to rise sharply on the product's entry into the private sector, Brazilians might change their eating habits. Maize, said MrChedid, was the most likely dietary substitute for wheat.

The Brazilian government has ended agricultural subsidisation as part of the country's new austerity plan. Elimination of public subsidies, coupled with a lack of available funds in the private sector, is pushing Brazil's agricultural sector into a crisis.

Mr Jose Antonio de Freitas Barbosa, commercial director of the agricultural co-operative of Orlandia, said he was "extremely worried" about the troubles facing the Brazilian agricultural sector. According to Mr Barbosa maize substitu*tion, although it will help, will* not solve agriculture's deep-rooted problems. The credit squeeze in Brazil is so severe, he said, that farmers will be forced to leave large tracts of land empty.

Finnish oil company faces more Soviet cuts

By Enrique Tessieri in Helsinki

NESTE, THE Finnish state-owned oil and gas company expects oil imports from the Soviet Union to drop even further this year, from 11m tonnes to less than 7.5m tonnes, and possibly to 6.6m tonnes, according to analysts close to the Finnish oil sector.

Finland gets about 94 per cent of its oil imports from the Soviet Union under bilateral trade agreements whereby the Finns swap manufactured goods for Soviet energy, mainly oil.

The Soviet Union had originally agreed in this year's trade protocol to supply Finland with a total of 11m tonnes of oil. Of this, Neste was to get 8.5m tonnes with the remaining 2.5m tonnes going to Suomen Petrooli (SP), the Finnish-based Soviet subsidiary of Soyuznefteexport.

Just over a month ago Moscow announced that it would cut all oil exports destined to SP. Most of this oil, consisting of heavy fuel oil, light fuel oil and diesel, was traded on by SP through the clearing system to third countries. SP also has an extensive petrol station network in Finland.

Most recently, however, Neste announced that it would have to import an over 1m tonnes of crude oil from Western spot markets to make up for further oil import losses from the Soviet Union.

"I would be very surprised if Soviet oil imports to Finland would remain at 7.5m tonnes for 1990. This is an optimistic *scenario of the situation,"* said Mr Ove Sundström, vice-president of Neste's oil operations.

Apart from its great dependence on Soviet oil imports, Finland imported in 1989 all of its 2.24bn cubic metres of gas and 50 per cent of its electricity import needs from the Soviet Union.

Indian tea record forecast

INDIA'S TEA exports in 1990 are expected to reach 230m kg, up from 202m kg a year ago, according to Mr J.V. Shetty, chairman of the United Bank of India, the largest tea financier in the country, reports Reuters from Coonoor.

He said the exports should earn record Rs10.5bn rupees (£300m), based on trends in the first nine months of the year, *compared with Rs8.25bn* the previous year.

The United Planters' Association of Southern India forecast India's total tea production at 720m kg in 1990, up from 682m kg a year earlier.

'Dumping' blamed for dairy decline

New Zealand sees the EC as the main culprit, writes Dai Hayward

THE NEW Zealand dairy industry is fighting for survival.

With cuts of 30 per cent in their gross income and between 50 and 70 per cent in net incomes, many the country's dairy farmers have their backs to the wall. Many will be bankrupt by next season if world trading conditions and prices do not improve.

The New Zealand Dairy Board and its chairman, Mr Dryden Spring, put the blame chiefly on the European Community. "New Zealand's dairy industry cannot survive on prevailing international prices, "says Mr Spring. "Our problems are not caused by commercial or economic factors. They are caused by overseas governments, mainly the European Commission, producing more than they can eat and dumping the surplus at low prices *on international markets*."

"The NZ dairy industry cannot survive on prevailing prices"

"The EC, and to a lesser extent the US, is forcing us into an economic depression. They are destroying the livelihood of many efficient New Zealand farmers. It is economic aggression which can cause similar pain to a military aggression," Mr Spring says.

He points out that EC dairy production is about 20 per cent more than its consumption and that it dumps 15 per cent of its annual output on world markets at only one third the price *it pays to its farmers.*

The recent increase in EC casein (dairy protein) subsidies will cost New Zealand NZ$50m (£15m) a season, he claims. New Zealand has already reduced the milk price to its farmers by 30 per cent this season to NZ$4 per kilogram of milk fat and will be forced to cut this even further later this month. New Zealand dairy farmers now get the equivalent of 5p a litre, compared with the 19.21p a litre paid to British farmers.

New Zealand has no export or production subsidy; its 14,000 dairy farmers rely solely on world market prices for their income. This season *alone dairy farmers'* income will be down a total of NZ$700m, without taking account of the further cuts that are likely to come.

Mr Spring warns EC policymakers that British and European commercial interests, including finance, insurance, shipping freight and manufacturing, *will all suffer if New* Zealand dairy farming cannot survive as a viable industry. Most New Zealand dairy exports are carried by UK or European shipping lines; practically every New Zealand dairy farm and factory processes its milk on German, Dutch or French designed machinery; automated systems in dairy factories come from Italy; and most of the industry's insurance and finance is placed with or arranged through British and European companies.

Despite the huge sums spent by the EC on farm and export subsidies, which are costing community taxpayers millions of dollars a year, Mr Spring questions whether consumers anywhere, including the EC, benefit from the present policies or dumping. He says OECD statistics show EC taxpayers, consumers and farmers would benefit from cuts in subsidies.

International demand for dairy food is not increasing but the EC is trying to maintain its level of exports to an already over-supplied market by dumping.

Increased subsidies and dumping is destroying the New Zealand industry and will not in the long term benefit the EC, says Mr Spring.

He has appealed to General Agreement on Tariffs and Trade negotiators in Washington, Geneva and Brussels to look at the plight of the New Zealand dairy industry and to "recognise the enormous damage caused by export subsidies." The only long term solu*tion for dairy farmers* in every country, not just New Zealand, is to achieve worthwhile agreements on farm policy reform in the Gatt negotiations, he believes. "Limits must be set on agricultural support, their present high levels must be rolled back, subsidies must be reduced and access to markets improved."

Without worthwhile reform the New Zealand industry faces a perilous future while its decline will not, in the long term, help the dairy farmers of the EC, Mr Spring claims.

Devaluation boosts tobacco earnings

Tony Hawkins on a record year for Zimbabwean growers

ZIMBABWE TOBACCO growers, who have just completed a record sales season, are confident of another bumper year in 1991.

Industry experts attribute the buoyant performance to excellent crop quality, strong world demand and low sales from Brazil, the country's main international competitor. At least as significant for growers, however, has been a sharp devaluation of the local currency. *In US dollar terms* export revenue in 1990 is only marginally higher at about US$340m, compared with $320m in 1989; but in local currency it is up 23 per cent at Z$800m.

Tobacco is Zimbabwe's chief export accounting for roughly one fifth of exports in 1989. The total value of this year's crop *is put at US$350m, up 27 per* cent from 1989.

Average flue-cured leaf prices surged by 50 per cent to nearly Z$6.50 (US$2.60) a kilogram in the 1990 season. When the Harare auction sales ended earlier this month, a total of 133m kg of leaf had been sold for nearly Z$860m – up more than 50 per cent on last ear.

The strength of demand came as a surprise even to traders, who say strong demand from eastern European markets was a major factor.

Given reasonable weather conditions over the next four months, tobacco production is forecast to rise 5 per cent to 140m kg. *This modest growth* projection has worried some traders who accuse growers of seeking to manipulate prices by curbing supply. As one puts it: "If we don't produce the leaf, somebody else will." He points out that exports this year of 107m kg are lower than the immediate post-independence average of 114m kg in 1980-81.

The trade is confident that the market will stay firm next year, though there is some anxiety over the impact of the Gulf crisis on Middle Eastern sales. Not only are exports to eastern Europe expected to increase but the collapse of communism has undermined the barter *business which had* become an increasingly divisive issue in the industry with some exporters convinced that Zimbabwe was selling itself short by agreeing to barter tobacco with buyers in eastern Europe and the Middle East.

Given a good quality crop – itself dependent on climatic conditions – both growers and *traders expect higher prices* again next year, with exports forecast to rise another 25 per cent to Z$1bn.

Two problems threaten this rosy scenario. The most serious is Zimbabwe's exchange rate policy. During the 1980s, the Zimbabwe dollar declined by more than 15 per cent against the weak US currency, and by 20 per cent on a trade-weighted basis. Rapid depreciation not only makes Zimbabwe prices and earnings look far better than they really are, but also blunts the industry's competitive edge as growers come to rely on currency devaluation to keep earnings ahead of cost increases.

*Then there is President Rob*ert Mugabe's tough talk of land redistribution. So far, it has had little impact on farmers' confidence but this will change if and when the talk is translated into action and half the white-owned land is bought for resettlement schemes. The trade has often warned the government that land re-distri*bution talk is carefully moni*tored by overseas buyers concerned to ensure continuity of supply.

But the growers have a strong hand to play; most of Zimbabwe's exports will be adversely affected by the Gulf crisis while oil import costs are forecast to rise by US$150m next year. Ironically, when, for the first time in its history, Zimbabwe has a minister of health who publicly condemns smoking, the country is becoming more dependent than ever on the production and export of tobacco.

WORLD COMMODITIES PRICES

MARKET REPORT

Sugar prices moved higher early yesterday on reports that the Soviet Union was in the market. *In the morning rumours* suggested that the Soviets had bought 500,000 tonnes, and New York's nearby contract briefly moved above 10 cents a lb at the opening. By midday the advances were *well trimmed, as New York traders* estimated the recent Soviet purchase at 100,000 tonnes. However, they added that the Soviet Union was still looking for additional supplies and could buy as much as 500,000 tonnes over the near to medium term. On the LME copper prices moved ahead as the market continued to unwind an oversold situation during the afternoon but upside potential still appears limited in the absence of fresh supportive factors, traders said. LME warehouse stocks are expected to be up today by some 3,000 tonnes, according to traders' general expectations. Nickel *continued this week's fall*, although three-month metal closed above a four-month low of $8,300 a tonne struck in the morning. The main support level is around $7,900, analysts said. High protein soymeal futures closed mixed in moderate volume after the first day's trading on the BFE.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$29.30-9.35y	-2.675
Brent Blend (dated)	$33.85-4.10	-3.675
Brent Blend (December)	$33.05-3.10	-2.925
W.T.I. (1 pm est)	$33.95-4.05y	-2.625

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$353-370	-23
Gas Oil	$308-309	-24½
Heavy Fuel Oil	$130-134	-3
Naphtha	$332-336	-26½
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$368.75	
Silver (per troy oz)♣	419c	-4
Platinum (per troy oz)	$399.75	+2.5
Palladium (per troy oz)	$90.75	+2.25
Aluminium (free market)	$2036	+100
Copper (US Producer)	130c	
Lead (US Producer)	50c	
Nickel (free market)	402c	-18
Tin (Kuala Lumpur market)	16.39r	-0.26
Tin (New York)	285c	-2
Zinc (US Prime Western)	73c	
Cattle (live weight)†	101.55p	-0.05*
Sheep (dead weight)†	121.12p	-10.7*
Pigs (live weight)†	72.98p	-3.46*
London daily sugar (raw)	$254.3q	+10.0
London daily sugar (white)	$311.7q	+11.4
Tate and Lyle export price	£238.0	+6.5
Barley (English feed)	£113.5	-0.5
Maize (US No. 3 yellow)	£157.0	+1.5
Wheat (US Dark Northern)	£91	
Rubber (Nov)♥	50.50p	
Rubber (Dec)♥	50.50p	
Rubber (KL RSS No 1 Nov)	238.0m	+0.5
Coconut oil (Philippines)§	$282.5w	+10.0
Palm Oil (Malaysian)§	$280.0w	+2.5
Copra (Philippines)§	$200.0t	+2.5
Soyabeans (US)	£141	+1
Cotton "A" Index	81.80c	
Wooltops (64s Super)	410p	-5

£ a tonne unless *otherwise* stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Jan. u-Oct/Dec v-Nov. w-Oct/Nov z-Jan/Mar y-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	220.20	218.40	225.00 217.00
Mar	215.20	213.40	224.00 213.[illegible]
May	216.40	214.40	223.40 216.20
Aug	218.40	216.00	223.60 218.80
Oct	218.00	216.00	225.00 217.00
Dec	222.00	217.00	
Mar	221.40		223.00

White	Close	Previous	High/Low
Dec	309.5	295.0	315.0 297.5
Mar	302.5	292.0	307.0 294.5
May	298.5	293.0	304.5 287.7
Aug	301.5	297.0	309.5 298.5
Oct	294.0	290.[illegible]	302.0 292.0
Dec	292.5		299.0 292.5
Mar	295.5	289.5	294.5

Turnover: Raw3740 (1464) lots of 50 tonnes. White 1732 (2308)

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Dec	34.11	34.03	34.60 32.40
Jan	33.00	33.11	33.20 31.35
Feb	32.00	32.40	31.80 30.40
Mar	30.25	30.65	
Apr	29.25	29.65	
May	28.75	29.15	
IPE Index	36.07	37.85	

Turnover: 12230 (14460)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Nov	294.50	319.00	314.25 291.50
Dec	289.00	312.00	307.50 287.00
Jan	278.75	301.50	297.00 278.50
Feb	259.50	284.75	275.00 259.00
Mar	245.00	267.25	260.00 245.00
Apr	233.00	255.50	250.00 232.75

Turnover 11518 (10104) lots of 100 tonnes

FRUIT & VEGETABLES

Spanis satsumas are this week's best buy at 40-50p alb (40-45p), reports FFVIB. Kiwifruit are still good value at 18-25p each (18-25p), as are bananas at 40-55p a lb (40-55p) and advocados at 40-75p each (60-75p). Cox's apples are plentiful at 40-55p a lb (40-55p). Homegrown vegetables are *abundant this week with onions* at 12-20p a lb (12-20p), carrots at 20-30p a lb (20-30p) and King Edward potatoes 12-15p a lb (12-15p). Top quality cauliflower is available at 45-65p a lb (45-65p). English celery remains plentiful at 35-45p a head (35-45p). Top quality tomatoes at 40-60p a lb (45-70p) are also a best salad buy.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	658	662	670 652
Mar	698	704	712 695
May	725	730	[illegible] 722
Jul	750	756	756 746
Sep	775	777	[illegible] 774
Dec	804	807	810 803
Mar	834	[illegible]	[illegible]

Turnover:3264 (4504) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Oct 17 887.51 (884.74) 10 day average for Oct 18 923.13 (930.61)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	583	584	588 580
Jan	587	597	600 593
Mar	589	590	592 587
May	593	594	597 593
Jul	610	609	612 608
Sep	625	623	626 623
Nov	638	636	[illegible]

Turnover: 4669 (3539) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Oct 17: Comp. daily 74.68 (74.20). 15 day average 74.38 (74.31)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Nov	70.0	70.0	70.0
Apr	144.0	143.0	144.8 143.5
May	163.5	164.0	

Turnover 62 (181) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Dec	111.00	110.00	

Turnover 8 (0) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/Index point

	Close	Previous	High/Low
Oct	1303	1275	1300 1295
Nov	1335	1305	1336 1335
Jan	1308	1286	1305 1300
Apr	1355	[illegible]	[illegible]
BFI	1268	1247	

Turnover 286 (237)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Nov	113.90	113.55	114.10 113.90
Jan	118.40	118.15	118.55 118.30
Mar	122.10	121.85	122.15 122.00
May	125.40	125.20	125.50 125.40
Sep	109.90	110.00	110.00
Nov	113.30	113.30	113.30

Barley	Close	Previous	High/Low
Nov	113.50	112.85	113.50 113.20
Jan	117.75	117.20	117.85 117.50
Mar	120.75	120.45	120.80
May	123.70	121.70	121.60

Turnover: Wheat 385 (247), Barley 285 (143). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	100.0	101.0	100.0
Nov	101.5	102.0	101.5 101.0

Turnover 45 (18) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 25,773 lots	
Cash	2000-10	1963-6	2095/2036	2033-5		
3 months	1842-5	1831-3	1850/1836	1859-61	1835-6	76,213 lots
Copper, Grade A (£ per tonne)					Total daily turnover 24,857 lots	
Cash	1350-2	1319-20	1348/1345	1349-0		
3 months	1333-4	1305-7	1339/1311	1328-9	1336-7	110,484 lots
Lead (£ per tonne)					Total daily turnover 1,198 lots	
Cash	380-1	378-80		378-9		
3 months	385-6	382-3	389/381	383-4	389-90	10,812 lots
Nickel ($ per tonne)					Total daily turnover 2,474 lots	
Cash	8650-700	1382-5	8650/8650	8650-75		
3 months	8449-50	1337-9	8600/8250	8450-500	8350-400	7,887 lots
Tin ($ per tonne)					Total daily turnover 1,087 lots	
Cash	6150-70	6190-220		6190-200		
3 months	6170-80	6200-30	6220/6160	6200-10	6155-60	8,378 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 5,255 lots	
Cash	1362-6	1332-5	1352/1351	1351-2		
3 months	1360-2	1337-9	1370/1338	1351-2	1368-70	18,862 lots

LME Closing £/$ rate: SPOT: 1.9825 3 months: 1.9[illegible] 6 months: 1.9[illegible] 9 months: 1.9[illegible]

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	366½-367	187½-188
Opening	366¼-366¾	187¼-187¾
Morning fix	370.00	188.286
Afternoon fix	367.85	185.351
Day's high	370¼-371	
Day's low	365-365¼	

Coins	$ price	£ equivalent
Maple leaf	375-380	192-195
Britannia	375-380	192-195
US Eagle	375-380	192-195
Angel	375-380	192-195
Krugerrand	365-368	187½-189½
New Sov.	88-89	45-46
Old Sov.	88-90	45-46
Noble Plat	404.75-410.75	208.65-209.75

Silver fix	p/fine oz	US cts equiv
Spot	219.55	424.75
3 months	224.40	433.40
6 months	229.25	442.55
12 months	240.00	460.30

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
550	57	62	10	22
600	35	38	20	37
650	11	23	64	81

Cocoa				
650	35	75	25	33
700	11	53	56	57
750	[illegible]	[illegible]	[illegible]	[illegible]

Brent Crude	Dec	Jan	Dec	Jan
3350	129			
3900				
4000	75			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	370.1	368.7	370.6	366.2
Nov	370.8	369.0	0	0
Dec	373.0	369.8	373.6	367.8
Feb	377.0	373.8	377.7	372.3
Apr	380.7	377.5	381.5	376.5
Jun	384.6	381.4	381.6	380.5
Aug	388.6	385.3	0	0
Oct	392.6	389.3	0	0
Dec	396.7	393.4	398.2	394.7

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	398.2	395.5	396.0	395.0
Jan	402.7	399.5	402.5	398.0
Apr	407.2	403.5	407.0	403.0
Jul	412.4	408.5	412.0	410.0
Oct	417.8	414.2	417.0	416.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	419.0	419.5	419.0	419.0
Nov	420.2	420.2	0	0
Dec	423.4	424.0	425.5	416.0
Jan	425.5	425.0	0	0
Mar	433.1	433.9	435.0	426.0
May	439.4	439.8	440.5	432.0
Jul	445.3	445.8	446.0	440.0
Sep	451.5	451.6	451.5	445.0
Dec	460.7	460.6	460.0	455.0
Jan	463.8	463.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	124.00	121.15	125.00	122.00
Nov	119.60	117.15	119.00	118.40
Dec	114.60	112.10	115.00	112.70
Jan	112.15	110.80	112.00	111.60
Mar	108.90	107.60	109.30	107.60
May	107.50	106.30	108.00	106.10
Jul	106.25	105.70	107.60	107.00
Sep	105.25	105.00	0	0
Dec	105.15	104.65	0	0
Jan	105.45	104.60	105.40	103.90
Mar	104.65	102.70	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Nov	36.80	36.72	37.20	34.40
Dec	35.41	35.65	35.80	32.95
Jan	33.95	34.47	34.30	32.47
Feb	32.67	33.12	33.00	31.12
Mar	31.49	31.86	31.25	29.85
Apr	30.41	30.61	30.30	29.35
May	29.43	29.96	29.30	28.58
Jun	28.69	29.13	28.30	27.95
Jul	27.93	28.60	28.50	27.50
Aug	27.17	27.10	28.60	27.40

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Nov	9851	9865	9850	9300
Dec	9761	10192	9860	9792
Jan	9600	9882	9770	9652
Feb	9250	9627	9600	9067
Mar	8758	8827	8800	8300
Apr	8309	8452	8102	8002
May	7989	8125	7758	7600
Jun	7695	7807	7700	7332
Jul	7579	7767	7700	7677
Aug	7569	7667	7700	7467

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1163	1175	1185	1151
Mar	1265	1257	1243	1211
May	1250	1276	1275	1250
Jul	1294	1315	1319	1294
Sep	1316	1337	0	0
Dec	1354	1375	1370	1360
Mar	1385	1406	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	92.80	93.00	93.35	92.00
Mar	96.15	95.90	96.85	95.50
May	98.30	98.25	98.75	97.85
Jul	100.50	100.85	100.50	100.40
Sep	102.85	102.60	0	0
Dec	105.00	105.50	0	0
Mar	107.50	108.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.82	9.49	10.00	9.58
May	9.83	9.60	10.03	9.61
Jul	9.85	9.58	10.00	9.65
Oct	9.78	9.44	9.95	9.55
Mar	9.80	9.73	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	73.21	73.57	73.75	72.90
Mar	73.65	74.00	74.15	73.30
May	74.07	74.15	74.45	73.80
Jul	74.10	74.25	74.50	73.85
Oct	68.90	68.95	68.85	68.70
Dec	68.05	68.40	68.85	68.00
Mar	68.90	68.90	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	108.95	112.00	110.65	107.75
Jan	107.15	111.75	109.75	107.00
Mar	106.30	110.85	110.75	106.00
May	105.75	110.85	109.60	106.00
Jul	105.75	112.30	109.10	106.30

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 18	Oct 17	mnth ago	yr ago
1722.8	1712.7	1803.0	1855.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 17	Oct 16	mnth ago	yr ago
Spot	125.45	125.49	128.09	129.97
Futures	126.53	128.53	131.48	129.72

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	610/2	614/4	616/4	610/0
Jan	625/2	629/2	631/4	625/0
Mar	638/4	642/2	643/4	638/2
May	649/0	652/6	654/0	649/0
Jul	657/6	660/0	663/0	657/0
Aug	653/4	655/0	660/0	657/4
Sep	627/0	630/0	630/0	627/0
Nov	617/6	618/0	621/0	617/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	22.08	22.18	22.38	22.04
Dec	22.35	22.58	22.72	22.26
Jan	22.60	22.50	22.98	22.50
Mar	23.10	23.00	23.21	23.10
May	23.47	23.51	23.70	23.43
Jul	23.57	23.62	23.80	23.60
Aug	23.57	23.55	23.80	23.60
Sep	23.57	23.62	23.80	23.46

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	179.2	180.2	181.0	178.7
Dec	183.7	184.8	185.1	183.3
Jan	186.1	187.1	187.5	185.6
Mar	189.6	190.2	190.7	189.2
May	190.6	191.8	191.4	190.2
Jul	191.5	193.0	193.0	191.5
Aug	190.5	191.5	192.0	190.5
Sep	187.5	189.2	191.0	187.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	226/0	228/6	229/6	227/6
Mar	237/4	238/4	240/0	237/4
May	243/4	245/4	245/4	243/2
Jul	247/4	247/4	248/0	245/4
Sep	246/0	246/2	246/2	245/0
Dec	245/0	246/4	249/0	245/4
Mar	253/0	254/4	0	0

WHEAT 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Dec	283/4	285/4	283/4	280/0
Mar	276/2	278/0	279/0	276/0
May	284/0	284/4	284/6	282/0
Jul	290/0	290/2	291/0	289/0
Sep	294/4	295/0	0	0
Dec	305/0	305/0	305/0	305/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	76.30	75.92	76.65	75.85
Dec	75.97	75.60	75.90	75.67
Feb	74.40	74.50	74.80	74.37
Apr	75.02	74.75	75.07	74.57
Jun	72.67	72.35	72.85	72.50
Aug	71.00	70.80	71.00	70.75
Oct	71.05	70.80	71.25	70.95

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	57.22	57.10	57.60	57.10
Dec	53.95	54.05	54.37	53.70
Feb	51.67	51.40	51.82	51.20
Apr	48.12	47.87	48.25	47.85
Jun	51.85	51.55	51.90	51.30
Jul	51.80	51.55	51.90	51.30
Aug	50.50	50.35	50.55	50.40
Oct	46.37	46.25	46.40	46.20

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	66.00	66.70	67.15	65.85
Mar	65.70	66.42	66.67	65.35
May	65.70	66.32	66.90	65.70
Jul	64.70	65.05	65.60	64.02
Aug	61.60	63.30	62.50	61.50

FINANCIAL TIMES SURVEY

THE LEGAL PROFESSION

Friday October 19 1990

Though Big Bang for lawyers may seem little more than a damp squib, solicitors argue that the structure of the profession has been fundamentally changed. But the bar says attention has been diverted from improving access to justice. **Robert Rice** reports

IN THIS SURVEY

Illustration: Simon Farr

Stirred but not shaken

THE UK government's proposals for the biggest shake-up of the legal profession this century will reach the statute book next week. It is now generally accepted both in and outside the profession that the shake-up has been considerably less radical than promised. Big Bang for lawyers has turned out to be little more than a damp squib.

Proposals which just 20 months ago had barristers talking about the end of the independent bar and fusion of the two branches of the legal profession have been so watered down that Mr Peter Cresswell QC, the chairman of the bar, can state confidently that the whole exercise has been a grand diversion from the key issue of improving access to justice.

"When the history of the last two years comes to be written, it will be seen that attention was diverted away from access to justice. It is quite unacceptable that a large section of the community is outside legal aid eligibility limits but cannot afford to go to law," he says.

The bar believes it has won a major victory and has survived with its monopoly on advocacy virtually intact.

The solicitors' profession, which welcomed the government's green paper proposals as a means of resolving in its favour the 10-year demarcation dispute over wider rights of audience for solicitors, has less to be pleased about.

On the surface, it seems all solicitors have achieved is a vague promise of extended rights of audience in the higher courts in return for the loss of domestic conveyancing to the banks and building societies.

Mr Tony Holland, president of the Law Society, does not accept this analysis. Structural changes in the profession were badly needed, he says. After the promised land of the green papers, however, the bill was inevitably a bit of a disappointment and something of a compromise. But that does not matter, he insists, because the fundamental structure of the profession has been cracked and will never be the same again.

The bar and the Law Society must work together to make the bill work and not, for example, frustrate the will of parliament over such issues as wider rights of audience for solicitors.

"If we sit there arguing and attempt to frustrate the purpose of the bill, I believe we will have fusion of the profession within five years. Parliament will get fed up with lawyers seeking to create their own rules which do nothing for ordinary members of the public," Mr Holland says.

The machinery established by the bill for making rules governing issues such as rights of audience and conduct – the Advisory Committee and the four senior designated judges – could have been better from the solicitor's point of view, he concedes.

The society failed to change the role of the four senior judges in deciding who should have rights of audience for the various different categories of work from a decision-making one to a consultative one. Nor did it persuade the government to incorporate in the bill its proposal that solicitors should on admission to the profession gain automatic rights of audience in all Crown Court proceedings except contested trials.

Nevertheless, Mr Holland expects to see solicitors gain wider rights of audience "in the Crown Court within two years and in the High Court within four years or less".

Provincial solicitors want to be able to do advocacy, he says, particularly in areas where there is not a strong local bar. There are not many specialist barristers outside London. In the provinces, therefore, a higher proportion of advocacy work – as much as 40 per cent – will be done by solicitors themselves in-house, he maintains.

If the bill was designed to end the disagreement between the bar and the society over advocacy rights, it appears to have missed its mark.

Mr Cresswell believes solicitors may gain extended rights of audience but that it will be a very slow process. The desire among ordinary solicitors to do advocacy has been exaggerated, he says.

The twin pillars of access to justice for the ordinary person are the high street solicitor and the independent bar. It is vital that, no matter how small a firm of solicitors is, it has access to the whole of the bar. The system works extraordinarily well, he says, and for that reason he is confident that not only will the independent bar survive but that it will continue to do the bulk of advocacy work.

Five years down the road, he believes the bar will inevitably be more specialised, but specialities will stretch right across the board from crime to international finance. The rapid increase in the size of the bar of recent years may not be maintained but, he says, the bar is not going to shrink in size.

It will continue to do all the leading advocacy work. Even in less important cases, the bar will still do most of the advocacy, "simply because it can provide a better service and it is more cost-effective".

And, as if in response to Mr Holland's complaint that outside London the specialist bar scarcely exists, Mr Cresswell says there is going to be a much greater emphasis on regional justice with specialist courts (Chancery, Commercial and Official Referees' Courts) served by a specialist bar in all the major provincial centres.

The more important question and the one which ought to be of more immediate concern to solicitors, he says, is who will get the right to conduct litigation – to do all the work connected with a case other than the actual advocacy.

The large accountancy firms have made no secret of their desire to take on this role. That and the question of solicitors joining multi-disciplinary partnerships (MDPs) are the issues which will dominate the new machinery immediately after the bill becomes law, he says.

The bill lifts the statutory ban on barristers and solicitors joining MDPs but leaves both sides of the profession free to make rules preventing their members from entering into MDPs.

The bar will undoubtedly ban barristers from participation in MDPs. The Law Society would like to ban solicitors but is aware that such a rule could be struck down by the Office of Fair Trading as an unnecessary fetter on competition at some later stage. Sir Gordon Borrie, the director-general of fair trading, has only recently reiterated his intention to force MDPs through in relation to the solicitors' profession.

It remains to be seen whether the solicitors' nightmare of large professional service conglomerates dominated by accountants comes to pass. In the meantime, Mr Holland thinks MDPs already exist in all but name.

"Look at the lawyers employed by accountancy firms to give tax advice," he says. The number of barristers and solicitors working in commerce and industry is going to increase enormously over the next 10 years, he adds.

Regulating them in terms of standards and conduct, and working out their relationship with the independent practising profession will be extremely difficult.

So have solicitors merely swapped domestic conveyancing for the vague promise of extended rights of audience? Mr Holland is adamant that they have not. He explains why solicitors should have nothing to fear from the change allowing the financial institutions to offer conveyancing services.

It will be difficult to change the ingrained habits of consumers who are accustomed to use solicitors for conveyancing work. A National Consumer Council survey published in September showed that 84 per cent of house-buyers turn to solicitors for their conveyancing.

Building societies have already ruined their paternalistic image by selling property, he says. "Now people feel they can be ripped off by building societies just as easily as by other financial institutions."

Solicitors have an enormous client base which will not easily be lost provided they look after it. And, finally, the burdens placed on "authorised conveyancing practitioners" in the bill make it difficult for the financial institutions to adopt a "stack 'em high, sell 'em cheap operation".

The rules could make a lot of building societies think twice about whether offering conveyancing is worth the candle, he says. For many of them it will be "too labour-intensive and too difficult to control the quality of the work," Mr Holland maintains.

And if solicitors do not get wider rights of audience within a reasonable time-scale, will parliament step in and legislate once more? Mr Cresswell says not. We have had all the reforms of the legal profession we are going to get.

"It is unlikely that the present government or any future government will return to these issues," he says.

The time has come to concentrate on doing something about the scandal that a vast number of people in this country have no access to justice because they are neither poor enough to qualify for legal aid nor rich enough to be able to afford to go to law, Mr Cresswell argues.

"This is the great issue of our time and I doubt whether the Courts and Legal Services Act will have any significant impact on improving access to justice – although that was one of its stated aims."

Robert Rice finds out why firms have opened offices in Europe over the past two years

Advantages of the Brussels connection

AT THE start of 1988 there were just five UK law firms with offices in Brussels: Simmons & Simmons; Clifford Chance, Lovell White Durrant; Linklaters & Paines and Allen & Overy. US law firms were just as thin on the ground, though there had been other UK firms in the 1960s and 1970s, such as Slaughter and May, which drifted away after de Gaulle said: "Non".

It was quite a cosy club, although none of them will admit to its existence. "If there is a club, then we're not a member," says Mr Nicholas Bromfield of Lovell.

"Club? It doesn't exist," says Mr Ulick Bourke of Clifford Chance.

Which is just as well really, because if it did, membership would now be heavily oversubscribed. At the last count there were at least 30 UK law firms with offices in Brussels and some 18 US law firms plus increasing numbers of Germans, Dutch, French, Scandinavians and Belgians. Brussels is awash with lawyers.

Why have all these firms suddenly opened in Brussels and what do they think they will be doing there?

The answer to the first question is straightforward as far as US firms are concerned, says Mr Walter Oberreit of Cleary Gottlieb. "1992". After 23 years' service with Clearys in Brussels, he ought to know. But much of the work involved in developing the 1992 programme has been completed. Some 160 of the 279 directives for the internal market have been passed. If these firms were coming to Brussels to cash in on the 1992 bandwagon, surely they should have been there just after the Single European Act was passed in 1986?

"Now you are being logical," he says. "But the 1992 phenomenon didn't really get going before 1988. Not even Europeans talked about 1992 before then."

In 1988 however, 1992 publicity began to sweep across the US. The chief executives of US companies began a virtually non-stop round of seminars and conferences on the single market and then began to ask their in-house lawyers what their companies were doing about it. "1992 became important to the law firms when it became important to the CEOs," he says.

"By 1988 there was enough happening to make us think that we should at least look at the logistics of opening in Brussels," says Mr Ray Calamaro of New York's Winthrop Stimson, which opened an office in January in conjunction with the Brussels specialist firm Stanbrook & Hooper.

The same is true of the English latecomers. Mr John Davies of Freshfields, which did not open in Brussels until May 1989, says Freshfields thought EC law could and should be practised outside Brussels. It was sufficient to travel there for work as and when necessary. Then three years ago clients' perceptions changed and it also became apparent that mergers and acquisitions work was becoming increasingly affected by decisions taken in Brussels.

It also signalled a cultural change within many firms towards focusing more on Europe. Having established bases in south-east Asia and the US, many UK firms are beginning to adopt what he calls "a European home approach".

With the coming of the Merger Regulation many firms on both sides of the Atlantic with strong competition/antitrust/M&A practices felt unable to stay away any longer. "Rightly or wrongly clients want you here," says Mr Barry Hawk of New York's Skadden Arps.

Even the Brussels old stagers accept that many of the *arrivistes* need to be in Brussels. Mr Michael Reynolds, of Allen & Overy, says the fact that they are not going to make millions is not important, he says. More EC work is being created every day and more and more areas are going to become subject to Community law. In 10 years' time Brussels will be Europe's federal business centre.

He also predicts that with the prospect of recession, there is going to be an increasing amount of infringement work about. In such times, he says, companies break the competition rules. Price fixing and cartel cases can run on for years.

But if these arguments justify the presence of the major law firms with strong competition,antitrust practices, do they hold good for the smaller law firms that are setting out their stalls in Brussels?

Many of the old stagers say that the Brussels "cake" is growing so rapidly at the moment that there ought to be more than enough to go round.

Mr Bourke, however, warns that trade law and transactional work has become increasingly competitive in the last two years. The advisory side of Clifford Chance's work in Brussels has grown enormously, particularly in financial services. So firms need to have a pretty clear idea of what they intend to do in Brussels. Many of the small and medium-size UK firms have set up to gain credibility in the EC and as a defensive measure to keep their corporate clients. About 25 per cent of them need to be in town, he says. The rest are there for defensive reasons.

Mr Bromfield agrees. Although competition and trade law and Gatt remain the main part of Lovell's Brussels work, other areas of EC work – environment, product liability, financial services and agriculture – have increased substantially.

In theory, therefore, there is more than enough work to go round. You could justify a Brussels presence for the sole purpose of lobbying and monitoring, he says, if your clients want you to be there.

But Mr Bromfield also warns: "As a UK firm, unless I had specific work to do, I might feel vulnerable on the periphery." One thing is certain: if firms haven't worked out a strategy and their relations with their home office, then Brussels could be a very expensive experiment.

All of which will comfort Mr John Handoll, who heads Stephenson Harwood's Brussels operation. As a medium-to-large City law firm and the newest of the arrivals in Brussels, its strategy is to look beyond 1992 and develop specific areas of expertise in EC work, particularly in agricultural fraud cases, leisure and tourism,and free movement of cultural objects.

Stephenson Harwood shares resources and premises with firms from Scandinavia, Germany and Italy. They do not offer themselves as one unit but hope to benefit from each other's know-how. In time, they may co-operate on a closer basis.

If firms have worked out their strategy, Mr Handoll says, they should survive.

However, just two years ago the market supported only a dozen UK and US firms. Mr Oberreit has doubts. "I have trouble seeing everybody making money," he says.

"In the 1960s and 1970s you didn't need expertise because no-one had expertise. Now it's different. You can no more be an EC competition lawyer than you can a US antitrust lawyer without experience."

Firms which believe you can transport top M&A knowledge from the US and use it to mount a US-style aggressive takeover using essentially US techniques are going to fail, primarily for lack of understanding of the local scene, Mr Oberreit says.

Some firms with Washington lobbying expertise are coming to Brussels in the belief they can transplant their successful US practices. That's just silly, he says.

To succeed in Brussels, firms need to form alliances with the best European corporate lawyers and bring them into partnerships on equal terms. Over the years, that is what Clearys has done and that is why Cleary Gottlieb Brussels is to many the only true European law firm around.

"You need the best," Mr Oberreit says, "and this is difficult as the best tend to be doing extremely well on their own terms."

EASTERN EUROPE

Following the commercials

EASTERN EUROPE, rich in resources, poor in development, emerges for picking by the sophisticates of the western business world.

Where businessmen forage, lawyers follow. As Germany, the US, Japan, France, Italy and the UK prospect for riches in countries unfamiliar with concepts of management, property or commerce, western lawyers, old in commercial knowledge, prepare to be pioneers in the eastern bloc.

A wealth of timber, oil, gas, coal, minerals and tourism awaits exploitation. And the west sees a market for its own technology, chemicals, management skills, electronic equipment, consumer goods and agricultural machinery.

Goods and skills have to be paid for. As Poland, Hungary and Yugoslavia move close to a convertible currency, the USSR lags behind. Though it has more resources than any other country in the world (minerals, gas, non-ferrous metals, oil, coal) it is by far the most underdeveloped of the east European countries.

Commerce in this born-again world is financed in various ways – by joint ventures whereby the product is sold on the western market; by government payments in hard currency for priority projects (such as Soviet telecommunications); by "political" loans – grants and aid from the EC, the European Bank for Reconstruction and Development and IMF world bank funds.

Commercial bank lending has virtually dried up in the Soviet Union, but has survived in other countries. There are UK government funds – "know-how" funds – to sponsor British businessmen in Poland, Hungary, Germany and Czechoslovakia, the city is lobbying for a similar fund for the Soviet Union.

In January 1988 the Law Society set up a committee on relations with lawyers in central and eastern Europe to advise on how to encourage and develop their professional relationship with UK lawyers. Individual committee-members have special responsibilities for Czechoslovakia, Bulgaria, Romania, Albania, Hungary, Yugoslavia, Germany and the Soviet Union.

Bilateral associations have emerged – the British-Polish Legal Association, the British-Czechoslovak Law Association, the British-Hungarian Law Association and the British-USSR Law Association. And a British-Yugoslav Association is on the way.

Some have organised seminars abroad, to familiarise foreign lawyers with English law commercial concepts. Also, they and the Centre for Commercial Law Studies at Queen Mary College, London University, have organised visits by foreign lawyers to attend academic courses in the UK followed by placements with City firms.

The first groups of Soviet and Hungarian lawyers will arrive early next year. There are plans for a Czechoslovakian visit, and the second Polish group arrives next month.

Hospitality is not confined to London. From November 16 to 18 Edwards Geldard, the Cardiff firm, will entertain nine or 10 of QMC's Polish lawyers. They will attend seminars and tour areas of commercial interest – such as the Cardiff Bay Development Project – and will meet public officials and industrial personnel. The object is to give them a regional view of 1992 issues.

Morgan Bruce has also provided two placements so far for Polish lawyers. Mr Phillip Howell-Richardson, a partner, says: "We've learnt from them and we hope they've learned from us." The visitors have had a practical view of commercial law concepts and have also participated in the firm's Polish coal joint venture work. At the same time they have contributed to the firm's understanding of the structure of Polish industry and organisations.

In a perfect communist world the law is unnecessary, and lawyers in eastern and central European states have been confined mainly to criminal, matrimonial or succession work. The commercial area is virgin territory where English law should, with reciprocal goodwill and understanding, be able to make a substantial if not total contribution.

According to Mr John Murphy, partner in charge of Theodore Goddard's east European department, it is important to take a long-term view.

He says: "We don't regard it as a goldmine or bonanza. The rush is greatly exaggerated." As secretary of the British-Polish Legal Association and the British-Hungarian Law Association, he regards lawyers' visits to the UK and seminars in their countries as an important part of the process leading to the adoption of English law as the basis of the new systems.

Once that is achieved, with the proviso of political stability and despite what Mr Murphy calls the "innate conservatism" of the British businessman which leaves the UK lagging behind Germany and the US in commerce, it is difficult to see how the UK lawyer can fail eventually to strike gold.

Rachel Davies

REDUNDANCIES

Staff laid off as fees fall

MOST YEARS, it is possible to see a crisis in the legal profession. Last year it was the impossibility of obtaining staff. This year it is a major slump in work, so that the larger firms are laying off the staff they had difficulty in obtaining and partners – at least the salaried ones. The smaller high street and legal aid firms are pulling in their horns and running up flags signalling defeat. Are these panic measures necessary or is it another example of the profession creating a crisis where none exists?

The UK often follows the US in trends and last year has seen New York law firms laying off both staff and partners. In London where on average conveyancing amounts to 32 per cent and commercial work 27 per cent of the revenue of medium to large firms, there have been consistent rumours throughout the profession in the last six months that some major firms are financially overstretched and suffering from at least a temporary downturn in work. "We have been interviewing staff from one well-known firm who say the partners are just twiddling their thumbs," says a solicitor.

In September, there were hard facts to back up the speculation. A legal magazine said that DJ Freeman and Speechly Bircham had become the first big City firms to lay off solicitors. At Speechly that included three salaried partners and eight assistant solicitors.

But lay-offs are not the sole worry. Firms are not taking on new staff. Recruitment agencies have a glut of applications from newly qualified solicitors. In 1989 one problem for the profession was the difficulty in getting the best qualified to become their articled clerks and another that the major firms looked to retain all suitable articled clerks to build a partner base for the future; this year it is very different.

The market has turned. Firms are releasing up to 70 per cent of their articled clerks who once again, in turn, become a drag on the market.

It is a trend confirmed, at least in part, by the Law Society's Young Solicitors Group which last year set up a redundancy line. "If a firm has to make staff redundant, the young are likely to be the first to go," says Ms Jayne Willetts, this year's chairman. With conveyancing drying up, the group believes that the solicitors will have to seek other areas of work in the profession to survive. Insolvency and pension work are two of the less traditional areas suggested.

Not all firms are in recession. "Some have a fairly narrow client base and so they suffer," says Mr Piers Coleman of the five-partner Fleet Street firm Sebastian Coleman. "We have a wide enough base and are demand-led, so we can respond to what clients want." Indeed, until this year there were reports of 35 per cent growth per annum accompanied by moves to bigger and more expensive premises and an increase in qualified staff.

Of course, the City firms will survive this hiccough, though young high-flyers may have to wait longer for the pots of gold which go with an average of £470,000 revenue per partner. They too may feel the pinch if the financial institutions begin to cut into the domestic conveyancing market.

The question is whether the small town and high street practice can continue and what will replace them. One City firm which has had branch offices over the south of England for the last 40 years is closing them one by one.

In the prosperous dormitory suburb of Ruislip, where there were seven firms in the mid-1980s there are now only two. One reason is the downturn in the property market. "When the banks swoop in; it will be the nail in the coffin for the high street practice.

"The present attitude of Thatcherism is that if it doesn't make a profit, chuck it out the door," says one partner in a firm with multiple branch offices, "and with legal aid being such a pain in the gut, ordinary people will find there are no firms left." But at least the cut in interest rates may revive the property market.

Many small firms survive on criminal legal aid work. There is a twice-monthly payment "and that keeps the bank manager reasonably sweet," says a Hertfordshire practitioner. "As it is, the increases in legal aid do not keep pace with wages, overheads and interest rates."

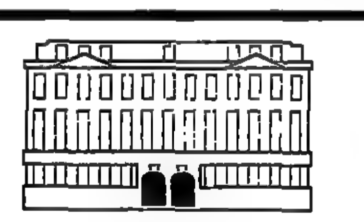
A suburban office costs £48 an hour to run per partner and the charging rate for private clients is between £60-65. "I am paid £22.50 for attending a magistrates' court for two hours. For the actual case that may only last three minutes, I receive nearly £50. There is no prospect of an increase in private work. Where I practise, there is no-one who can pay privately."

One method of increasing fees is financing cast-iron civil actions such as those where the plaintiff is the passenger in a car accident. "When it comes to it, you have to do that rather than take work on legal aid where you are paid less and wait endlessly for costs after the case is concluded."

Mr Tony Holland, this year's president of the Law Society, wonders whether it will be possible to persuade solicitors to work in areas where they cannot hope to make a profit. He sees a rise in law centres attached to citizens' advice bureaux and funded by the government as a solution to the problem. As for the small practitioner, "we can't survive," says a partner in a three-partner small town practice. "In 10 years we shall have had to merge with another local firm or have gone under."

James Morton

Editor, New Law Journal



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THE LEGAL PROFESSION 3

Why European link-ups are becoming more popular

Loose networks catch on

BIG MAY be beautiful, but so is individuality. Such is this year's trend in network thinking.

As law firms look towards 1992 and take realistic stock of their needs in the race to reap the rewards of Europe, it makes sense to consider the cost.

Through groupings or networks they can pool resources, contact and know-how, without necessarily losing their identity.

Groupings can range from the formality of the Baker & McKenzie-type operation with one-firm branch offices across the world, down through near-merger, formal and informal groupings, to the occasional meeting for exchange of ideas.

The 1990 preference has been for groupings which enable participating firms to maintain their independence.

Link-ups started becoming fashionable in the 1980s, with the emergence of Eversheds, M5, Euro-Link for Lawyers and the Legal Resources Group. Their popularity has increased with the European Community's introduction of the European Economic Interest Group (EEIG), effective in the UK from July 1 1989 – which can cross borders and has corporate identity, but retains the individuality of members.

Ladbroke Group has recently promoted Marie Stevens, 40, to head its legal department

The first EEIG was "Parlex", a grouping which originated in 1971 with a link-up between Bates Wells & Braithwaite (London, Ipswich, Sudbury) and German and Dutch firms. This year has seen a sprouting of many more EEIGs, and less formal groupings.

They include Legalliance, an EEIG set up in May by London firm, Baileys Shaw and Gillett, with firms from West Germany, Italy, Spain, France, Belgium; the Association, formed in June between Morgan Bruce (Cardiff), Veale Wasborough (Bristol), J & F Anderson (Edinburgh), and Charles Russell Williams (London); Euronot, an EEIG formed in July, by Blyth Dutton of London and notaries from France, Belgium and Luxembourg; and Forum, an EEIG composed of Holborn firm Jaques & Lewis, and Paris avocats, Chanintrier, Caillard et Associes.

Also this year, the 40 member firms of Lawgroup UK joined up with Lawgroup International, a network of firms in Spain, the Irish Republic, France, Switzerland, Jersey and Italy; and Network 92 was formed in September, between London solicitors, Saunders Sobell Leigh & Dobin, and firms in Brussels, Frankfurt, Leipzig, Lisbon, Madrid and Paris.

Groupings are not confined to the EC. In March this year Nabarro Nathanson, already linked with West German and Australasian practices, linked up with US firm, Weil Gotshal and Manger. In May The Alliance was launched by firms from Belgium, France, Germany, Netherlands, and Spain, and aims to establish joint offices in Brussels, London and New York before the end of the year. And in September, City firm, Nicholson Graham & Jones formed a Strategic Alliance with US and Paris firms.

The objectives of individual groupings vary. Some concentrate on a referral system similar to a dating agency, matching up UK clients' needs with appropriate foreign law firms, or vice versa. Others concentrate on the sharing of expenses or expertise. Others offer a one-stop service for local clients who intend to operate abroad.

● Euro-Link for Lawyers operates a referral system. With 100 independent and carefully-vetted member firms in 17 countries and 60 commercial towns or cities, it puts members in touch with other members who can provide the local service their clients need. Listed as a contact for businessmen in the Department of Trade and Industry's document, "Single Market Guide to Practical Advice for Business", it generates work to members not only through the network, but also as a result of direct inquiries from businesses.

● The Legal Resources Group shares technology, database and technological skills; it collaborates on recruitment, training and marketing.

The 1990 preference is for maintaining independence

It has six members – Simpson Curtis (Leeds, London), Alsop Wilkinson (London, Liverpool, Manchester, Hong Kong, New York); Dickinson Dees (Newcastle-upon-Tyne), McGrigor Donald (Glasgow, Edinburgh, London), Osborne Clarke (Birmingham, London), and Pinsent & Co (Birmingham, London.

It is currently creating a network of European firms. According to Mr Martin Shaw, its chairman, the group aims "to remain independent and competent, and to do things together in a way that is cost-effective". He says its training programme has been particularly successful. It runs about 200 courses a year, covering every aspect of training for clerks, management and specialists. By pooling resources the group can pay for top quality tuition.

● The Alliance objective is to share expertise in EC law and transnational law over a number of jurisdictions, the transnational work being done from local offices.

Group members are – Boden, Openhoff, Rasor, Schneider & Schiedermair (Cologne, Frankfurt, Brussels, New York); De Bandt, Van Hecke & Lagae (Brussels, New York); De Brauw Blackstone Westbroek (The Hague, Rotterdam, Amsterdam, Brussels, New York, London); Jeantet & Associes (Paris, Brussels, Cote d'Ivoire); Uria & Menendez (Madrid, Barcelona).

Mr Frans Rosendaal, a partner in Blackstone Westbroek, describes the group as a "combination" of well-established firms in five home markets in Europe, and its objectives as "using and combining each other's know-how and contact in the various home markets, while remaining independent".

● The Association operates a referral system and a one-stop service for clients.

Through European contacts it can get information and advice on domestic laws without the client having to go to the area of interest; or, if he prefers, it can put him in direct touch with local lawyers. It also has the expertise to advise on EC law.

Since its formation in June there has already been a passing of business between The Association members, including European interest in the Morgan Bruce Polish office. Through the Edinburgh member it can give direct advice on setting up in Scotland, where commercial property law differs from English law.

As yet, The Association is an informal grouping of carefully chosen members. It hopes to draw in an Irish and perhaps a Manchester member in due course. It does not contemplate EEIG status. "We don't see the need," says Mr John Stuart, partner in J & F Anderson. "We show togetherness, but respect the independence and character of each firm."

● Eversheds is different. It aims at formal merger by or before 1992, and is already operating as though it were a partnership.

It is composed of six corporate/commercial firms – Alexander Tatham (Manchester), Daynes Hill & Perks (Norwich), Hepworth & Chadwick (Leeds), Ingledew Botterell (Newcastle), Evershed Wells & Hind (Birmingham, Nottingham, Derby, London) and Phillips & Buck (Cardiff) – which have all joined together to form a London firm, Eversheds.

After formal merger, it will be the second largest firm in the country, with 184 partners across the UK. It is undaunted by reported redundancies and rumoured rifts in overlarge city firms. "We're different from the City firms," says Mr David Vokes, a partner in Phillips & Buck. "We're not depersonalised. We're partnerised."

He believes Eversheds' regional character will preserve it from the suffocating bureaucracy that afflicts large firms under one roof. He points out that it will benefit from regional contact in the current era of provincial commercial expansion, while clients will gain from the economy and convenience of local advice and close client/partner relationships unknown in City firms.

Mr Victor Semmens, Eversheds' chairman, sees merger as essential and believes other groupings will have to merge to survive effectively. He says failure to merge means competition between members, inconsistent reporting structures, the impossibility of monitoring standards, and the creation of another level of overheads - "You're selling geographical advantages, not quality."

Economies of scale "can be achieved without mergers"

Mr John Bowen, senior partner in Morgan Bruce, of the Association, disagrees. He believes that firms with distinct and not necessarily compatible characteristics can achieve economies of scale by means other than merger. He says: "One disadvantage of a monolithic firm is the loss of control and flexibility to adapt to local conditions."

The majority prefer independence, at least for the time being.

Eversheds' trial marriage has been blessed with harmony, which no doubt will continue once the knot is tied. But this case must be unusual. Most firms, comfortable in the understanding of their own ways and their own clients, and of personalities of partners they have chosen, nurtured or grown up with, hesitate to jump in with too many strange bedfellows.

They contemplate co-operation with caution, and only to the extent that economy, convenience and client needs direct.

Rachel Davies

US OUTLOOK

A tighter market

THE PARTY is over for American attorneys. After a decade of rapid expansion, US law firms are entering a period of introspection as they scramble for business and urgently seek to control costs.

By any foreign standard, the statistics are still staggering. Baker & McKenzie, the largest US firm, retains its first-place ranking in the National Law Journal's 1990 survey of the top 250 partnerships which was published last month.

The Chicago-based firm has increased the number of its lawyers by 180 since last year to 1,519. They are scattered across almost 50 national and international branches, including Bangkok, Tokyo, Budapest and Ghangzhou in China.

According to American Lawyer magazine, its 1989 gross revenues were \$341.5m. That still makes it only number two, after Skadden Arps Slate Meagher and Flom, the New York firm with 1,133 lawyers, which billed \$517.5m last year.

For the leading measure of profitability, however, New York's Cravath Swaine and Moore remains at the top. Only number 70 by size, with 309 lawyers, the firm allegedly achieved the staggering level of \$1.77m profits per partner. (None of the figures is publicly admitted by the firms).

American business indulged in a spree of mergers and acquisitions over the past decade, while the leading corporate law firms took their share of the spoils with premium billing. Now this work has declined, as have partnership fees.

"We are seeing a period of increased competition for business. Revenues are up but profits will be lower for the year," says Mr Peter Mullen, executive partner at Skadden Arps. "They are down from a pretty high level," he adds, but concedes that "this is a good time to review our costs."

Mr Reece Morrison, a partner in accountants Price Waterhouse in New York, cautions that "it is a selective slowdown, which has disproportionately affected" the leading Manhattan law firms like Skadden Arps. Despite the early signs of recession in the US, there is still plenty of work – and bankruptcy and liquidation practice is growing.

Nevertheless, he sees the market tightening across the country. Coupled with the downturn in corporate activity, many businesses are now developing their own in-house law departments to provide legal services, and more closely monitoring the work which is still given to outside law firms.

Industry statistics also seem to indicate a clear slowdown. For the top 100 firms by billings, revenues per lawyer increased by only 6.3 per cent during 1989, compared with 13 per cent in the year before.

Another indicator is the starting salaries of associates fresh out of law schools. After several years of rapid upward shifts, many firms have maintained 1989 levels – at around \$83,000 in New York.

One firm that has benefited from this deceleration is the legal consulting firm of Hildebrandt, with offices across the US and now in London. "The profession is really levelling off. We are doing a lot of 'workout' counselling to save firms," says Mr Brad Hildebrandt, chairman.

"Nervous smaller firms see a merger as their salvation"

Mergers between law firms which have fuelled recent rapid growth – are continuing. But while they were once a mechanism to expand business, he says, now "smaller firms are nervous and see a merger with a large firm as their salvation."

In April, Mr Hildebrandt sent a memo to clients, warning them of the slowing pace of activity and recommending that they watch expenses closely and ensure staffing is in line with business.

"When you're making enormous sums, you wink at the excesses," he says. Now cost control has become crucial, there has been a general dampening in recruitment of new staff, and even redundancies.

Tighter management is beginning to force partnerships to operate "more as a business, and less as a professional clique", adds Mr Morrison. But in the current property market, lawyers are unable to reduce one crucial cost: that of their office space.

"You could downsize to zero," Mr Hildebrandt points out. A more sensible strategy is to focus on generating new revenues. As a result, some attorneys have retained public relations firms, using seminars and other strategies to catch the eye of potential clients.

Partners are having to become more responsive. "We foster better communication, such as confirming expenses with our clients," says Mr Mullen. "We also stress the importance of 'cross-selling.' If you represent clients in one matter, maybe you can interest them in using us in another."

A different approach to gathering business is the lateral movement of attorneys. Mr Hildebrandt says it was hardly noticeable 10 years ago, but he estimates that today 40 per cent of partners have switched from another firm. They generally bring substantial client business with them.

"The attitude now is if you don't have the clients, go find the lawyers with them," he says. Frequently a group of partners will move together, taking their "portable practice" with them – and leaving their former firm severely weakened in that speciality.

Lateral moves and mergers have wreaked havoc on the traditional structure of partnerships. Lockstep compensation, where partners are compensated according to their seniority, has all but disappeared in large firms, to be replaced with performance-based pay.

The employment structure of large firms is also becoming more complex. In the past, associates either became partners or left. There is a growing trend to employ "senior attorneys" with niche specialities, or gradually to integrate attorneys from other firms.

One final clear trend is the expansion of some of the larger firms overseas, particularly in Europe where they may advise on acquisitions and joint ventures in both the EC and eastern Europe. "It is driven by their perception of a business base," says Mr Hildebrandt. "Not that their perception is necessarily accurate."

Andrew Jack

Corporate lawyers need new expertise, says **Celia Hampton**

Crime — and the City

LAWYERS' EARNINGS in the first Guinness trial which ended in August were estimated at £7.5m. Where fees of this magnitude are involved, it is a racing certainty that the leading names of the legal world will be close at hand. But crime? Surely not.

Times have changed. Even five years ago the large commercial law firms would have looked on a criminal practice as at best eccentric. Now it is not unusual for solicitors doing corporate work openly to admit that they are involved in a criminal case, be it Guinness, Barlow Clowes or Blue Arrow.

The Companies Acts have always been framed in a penal form ("no prospectus shall be issued ...") and they are peppered with criminal offences. But instead of an occasional low-profile appearance in a magistrates' court, solicitors specialising in corporate law may now find themselves tied up for months, or even years, in the criminal courts. For example, Mr Anthony Vernon of Boodle Hatfield is acting for *Mr Jonathan Cohen, former* chief executive of County NatWest and one of 14 defendants in the Blue Arrow case.

Mr Vernon sees the case as an extension of the firm's normal workload: business litigation, corporate and commercial work, and the City regulatory *regime, especially its disciplin*ary side. It is a natural progression from, say, disciplinary hearings at the Stock Exchange, through DTI investigations, to the criminal courts.

The *development* of criminal work associated with corporate or securities law can be traced to the political and economic changes of the mid-1980s, especially the liberalisation of financial services.

Liberalisation of financial services led to an explosion of opportunities to fiddle other people's money

There was an explosion of opportunities to fiddle other people's money, *well beyond* the powers of the old City regime to control. New layers of regulation were added and, inevitably, the criminal law made its appearance as regulator of last resort.

Moreover, it was thought to be politically unacceptable for *"the City" to get away* with regulatory fines where "a simple thief" would go to prison.

The new intensity of regulation came to embrace all companies, in their role as victim if not as actor. Encouraged by the economic boom, mechanisms of great legal intricacy *were invented for raising capi*tal, corporate restructuring, takeovers and management buy-outs, and these were augmented by complex debt financing techniques after Black Monday. City law firms were central to these developments.

Ensuring that their corporate clients complied with all the rules became a vital function for the City firm. The dividing lines between civil liability, regulation and the threat of criminal sanctions in effect disappeared.

If, for example, a client was planning a big new issue of shares, it would have been irrational to use one law firm for the civil and regulatory aspects and another to advise on potential criminal liability.

This mingling of civil, regulatory and criminal liabilities led City firms to contemplate criminal questions. And the authorities began to prosecute high-profile City suspects for ordinary crimes of dishonesty.

Allegations of theft or conspiracy to steal or defraud feature in both Guinness trials as well as in the Barlow Clowes and Blue Arrow cases. Theft and fraud are more vivid in the popular perception than the more technical offences which might be charged. A technical offence, *eg* failure to disclose a particular fact by a certain date, may be easier to establish and might be tried summarily by magistrates.

The decision to prosecute for theft or fraud has implications for justice and the legal profession, because of the cost of such trials. If people are involved in arcane financial dealings, the prosecution, before deciding whether to charge an ordinary crime, has to be ready to explain it in plain language to a jury.

From the moment of charge or arrest — preferably earlier — the accused needs competent legal advice on both the substantive law and the criminal aspects.

Solicitors with experience in criminal law are wanted at this stage perhaps even more than experts in corporate and securities law. Since these skills may not coincide in one firm, the defence is often managed by a committee rather than by a single lawyer. The bar also gets involved at an earlier stage than in regular criminal defence work.

The City firms certainly have the capacity to develop criminal law expertise but time and some unusual training activity will be needed. Expertise in the police station when a *shell-shocked* executive has just been arrested is every bit as important as deciding whether a money transfer was an appropriation under the terms of the Theft Act.

Recruiting criminal lawyers from the public service is only a partial answer, since their experience comes neither from defence work nor from private practice. Such recruitment is common in the US, but the circumstances are different: many US suspects are able to negotiate with the authorities and so avoid arrest and trial.

A law firm which has specialised for half a century in white collar crime from the criminal side is Peters & Peters of London. Almost all its work is referred to it by other professionals — accountants, law firms or barristers' chambers. Mr Monty Raphael, a partner, says that he has had to learn a lot about securities law and practice, but his and the firm's special skills lie in handling it in a criminal context.

There is a shortage of such specialist firms. Peters & Peters can act only for one *defendant per case, and it is* always fully employed. The firm acted for Mr Anthony Parnes, the City stockbroker jailed for 2½ years for his part in the illegal Guinness share support operation, for example.

In a complex case with, say, six defendants, the defence *needs* at least six law firms but, for complete coverage, as many as 12 may be desirable.

According to Mr Raphael, what is wanted is a sort of network of lawyers (possibly across national borders since many complex frauds have an international dimension) who are available to act in these cases. Under his aegis, the International Bar Association has set up a UK national group within the Committee on Business Crime so that practitioners in relevant fields can get to know each other.

A company that is charged with a criminal offence may be able to afford its regular legal advisers: hence, the City firms' involvement. However, there could be problems: for example, does its legal expenses insurance cover a criminal prosecution for fraud?

The predicament for individuals is far more serious. Corporate men and women are taken out of the corporate womb when charged. Some employers or ex-employers may pay their legal costs, but even this generosity could raise company law difficulties. Directors may have liability insurance, though it *may not extend to defending* fraud charges.

Others will have to spend everything they have on defence lawyers, transferring to legal aid when that is spent, or defend themselves in person, as Lord Spens (a defendant in the second Guinness *trial) is doing.*

It is in defending individuals, however, that law firms not previously involved in this sort of crime may have an opportunity for practice development. City firms advising companies cannot act for individuals accused if they find that, say, the chief executive or treasurer may be sitting in the dock alongside the company.

The high public profile of this work will, of course, only last as long as public policy continues to support and fund criminal trials in the manner exemplified in the Guinness case. The Serious Fraud Office has cases involving £1.16bn under investigation or awaiting trial. It will be some years before we can say for certain whether crime has become respectable.

Celia Hampton is executive editor of the Financial Times Business Law Brief.

Marcus Lee-Steere on new opportunities for lawyers

It pays to advertise on TV

PEOPLE IN television generally believe that the legal profession's view of advertising is roughly similar to the Pope's on contraception.

It came as some surprise therefore when a recent seminar in Leeds, discussing this very subject, (legal advertising, not contraception), attracted more than 70 lawyers from across the Yorkshire region.

Perhaps so positive a reaction should not have been a surprise. In an era of radical *change and internal de-regula*tion, solicitors and barristers have to meet the needs of far more discerning consumers.

Mr Austin Mitchell, MP, as keynote speaker, outlined the changes that have taken place starting with the House Buyers Bill in 1984, and culminating with the Courts and Legal Services Bill which clearly places the profession in a highly competitive environment.

He summarised the bill's implications by saying that the profession has come to the end of the road of self-interest that it has trodden since the war, and is now at the beginning of the road of a true service industry. It is this process of change that has so often in the past brought about a new acceptance of consumer media, particularly television.

A prime example is the advertising of legal services in the US. Since 1977, when it was first permitted, the amount spend on TV advertising has grown from $82,000 to over $82m in 1989 alone.

In the late 1970s, the US legal *profession faced problems simi*lar to those that British lawyers will have in the 1990s, centred around an under-utilised legal system, and a low level of public awareness and support.

An American Bar Association report compiled at the time said that advertising not only had the potential to improve public perception of attorneys, but was likely to increase their chances of being contacted. Subsequent growth in ad spend bears witness to this. It would not have been possible unless the market had also grown. In essence, advertising has brought about a vast increase in the numbers of people actually turning to an attorney for advice.

Many of us may dislike the nature of American lawyers' commercials, but it is *clear* that legal services are now very much a part of the average US consumer's way of life. The profession is seen as approachable, and there is a real appreciation of what a lawyer can offer, that has yet to occur in England.

Within the English and Welsh legal profession, television advertising still encounters some scepticism. Yet it remains the most effective means of communicating with the consumers, and is far more accessible than is generally acknowledged.

With the UK split into 15 separate ITV regions, any firm is able to target local consumers without the need, or expense, of a national campaign. However, the operations of many solicitors are highly localised, and some of the larger TV regions may still create some wastage. Fortunately some contractors, Yorkshire Television for example, now offer split transmission services so that a firm could advertise in its most appropriate catchment area.

Regional television has been successfully used by solicitors in Scotland since 1987. The Edinburgh, Aberdeen and Tayside Solicitors' property centres are now major advertisers, and more general legal services are also heavily publicised.

One of the earliest to do so was the firm Ross Harper & Murphy, whose first commercial, in 1987, publicised a criminal legal advice service. This in itself created a great deal of interest and established the firm's name as a major legal practice throughout Scotland.

It is also worth noting that the Law Society of Scotland and Solicitors Financial Services Ltd have recently *embarked on major TV cam*paigns aimed at encouraging a wider use of legal services. That is something which no doubt the (England) Law Society will watch with interest.

The Leeds seminar also highlighted many of the ways in which television can be used by solicitors in England and Wales, and a current campaign by Hull firm, Philip Hamer & Co is one example.

As with the Ross Harper commercials, this campaign has generated inquiries for many aspects of the firm's work, which further illustrates the power of television to develop new business across a very broad spectrum.

There are of course numerous other possibilities. Conveyancing and financial services for example, are both areas where there will potentially be competition, and where television advertising and a properly structured marketing plan can contribute effectively to future business growth.

As Mr Mitchell commented in his summary, the challenge now is to become a service industry truly serving the consumer. In doing so, many firms are going to have to look closely at new opportunities and ways to market and advertise their services.

There is an urgent need for a more receptive approach to media opportunities, television included, for the profession to retain its competitive edge into the 1990s.

The author is the Business Development Executive of Media & Airtime Sales Ltd.

WOMEN

They still seem second-class


Carrie Morrison: 1922 solicitor

NEARLY 70 years ago, the first woman solicitor's name appeared on the Rolls. Carrie Morrison was admitted in December 1922, the same year *that Ivy Williams became the* first woman barrister. Both had been helped by the Sex Disqualification Act of 1919.

Just how far have women progressed in the profession since then? Are they still second-class? Or have they at last achieved equality?

On the 60th anniversary of Ms Morrison's qualification, one woman solicitor — who declined to be named — commented in a newspaper that women articled clerks "don't mind being lower paid. Apart from the money, there is job segregation. You are expected to do family law or conveyancing. If you do a divorce case you find nine times out of 10 there's a woman dealing with the case on the other side."

Another newly-qualified woman solicitor who had been articled to a well-known radical firm said: "I wanted to do trade union work but the argument against my doing it was that trade unionists would pinch women's buttocks."

Have things changed for the better in the past decade? Certainly, in obtaining articles solicitors face little discrimination. Over 46 per cent of those admitted now are women.

It is at the assistant solicitor and salaried partner level that the fall-out begins, believes Ms Marcia Hutchinson, of Walker Morris in Leeds. "The problem for women is the 'mummy track'. At the age of 30 a career becomes problematical if one intends to have children and the danger is a woman will be railroaded into a dead-end job."

Other women agree. "There is a need to prove yourself on the subject of children before you are promoted," says one. "I was in a firm with around 50 partners," says another. "Five were women and, of those, four were unmarried. "There was a discussion about a creche," says a third, "but the vote went in favour of a car park."

To be one of the first female partners in an otherwise all-male firm can also cause headaches. "You are excluded from social events where a lot is actually done," says a woman solicitor in the provinces. "If you don't drink, you are less likely to know people and so less likely to be promoted."

Discrimination against women at partnership level still happens. "In the firm I was in, women salaried partners had to wait at least three years for equity status while men had only to wait two," says a woman solicitor.

According to Ms Rachel Burnett, chairperson of the Association of Women Solicitors, whose membership totals around 4,000 of the 15,000 female solicitors, "women can now get through on merit." The association organises courses for women returning after their children have grown up and plays a large part in helping them on job-sharing and working from home.

Most women say the problem will almost solve itself by the end of the decade. "There will be so many in the profession it will cease to be a problem. When people stop thinking about it, we will have arrived."

But, says Ms Lesley Lintott of Penningtons, "there are still too few female solicitors in commercial corporate banking and shipping departments."

The problems lie partly with the firms and partly with the clients. "The partners worry about what the clients will think" and "clients do not expect that they will come across women in senior positions" are typical comments.

Women at the bar, with an almost equal number of male and female entrants, also suffer from stereotyping. Crime, matrimonial and immigration work is, generally speaking, their lot. There are still problems in getting places in chambers. There is also a belief that women solicitors are in a better position than their counterparts at the bar.

What is certain is that women are under-represented both on the bench and in positions of influence in both sides of the profession, with few heads of chambers, although Ms Gill Babington-Browne will, next year, become the first woman president of the powerful London Criminal Courts' Solicitors' Association.

The likelihood of a woman becoming president of the Law Society or chairperson of the Bar Council in the next decade is as remote as a Lady Chief Justice in the next 50 years. Women may have made striking improvements in status in the last decade but there is still a long way to go to achieve true equality.

James Morton

LONDON STOCK EXCHANGE

Oil price slide helps share prices

FALLING CRUDE oil prices yesterday came to the aid of a UK stock market discouraged by the latest data on the domestic economy and suffering again from a dearth of investment interest. However, inspired by a strong opening on Wall Street, the UK market advanced by 21 FT-SE points in the second half of the session, only to close well off the top as the insurance sector turned sour on reports that property subsidence claims had doubled in the UK as a result of this year's hot summer.

Small turnover was the chief complaint among traders depressed by confirmation of staff layoffs at Kleinwort Benson, the UK merchant bank, in the wake of its unfortunate deal in shares of Premier Consolidated Oilfields.

Account Dealing Dates		
First Dealings:		
Oct 8	Oct 22	Nov 5
Option Declarations:		
Oct 18	Nov 1	Nov 15
Last Dealings:		
Oct 19	Nov 2	Nov 16
Account Day:		
Oct 29	Nov 12	Nov 26

*New-time dealings may take place from 9.30 am two business days earlier.

The slide in oil prices continued in New York where Brent crude for December delivery dipped to $32.85, brought sterling down and prompted support for overseas earning stocks. But across the broad range of equities, business was painfully thin as traders awaited tonight's important speech in the City of London from Mr John Major, the UK chancellor of the exchequer.

The session opened sluggishly, with share prices edging ahead as a few bear positions were bought in ahead of the closing of the equity trading account today. There was some surprise when equities paid little heed to the announcement of the latest UK bank lending, average wages and unemployment data, which were regarded as negative for investors and brought a downturn in UK bond prices.

Equities had merely blinked at the news, shading only briefly into negative territory before rebounding quickly as Wall Street came in strongly – although there was no great upturn in business in London. The lack of follow-through became evident when insurance shares reacted quickly when a leading insurer warned some broking houses that property subsidence claims were hurting.

By the close, the gain in the FT-SE Index had been reduced to 14.6 for a final quotation of 2,082.6. Market strategists hold divided views on the outlook for equities, some still warning that Footsie 1,880 is possible while others hope the market can regain the 2,100 mark before Christmas.

Seaq volume reached only 359.6m yesterday against Wednesday's 545.9m which took in the major deal in Premier Consolidated stock. Statistics from the International Stock Exchange show that retail investment activity, which rose sharply but very briefly following the British government's decision on ERM entry, has now fallen away again. Average retail turnover in the first three days of this week was £655m compared with the £1bn to £2bn daily totals recorded earlier in the month.

FINANCIAL TIMES STOCK INDICES

	Oct 18	Oct 17	Oct 16	Oct 15	Oct 12	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.43	79.76	79.51	79.73	79.97	84.70	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.87	88.90	88.65	88.93	88.99	93.20	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1618.1	1600.8	1613.3	1627.2	1622.0	1772.1	1969.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	168.8	163.9	163.2	167.9	170.9	193.2	378.5 (6/2)	163.2 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2082.6	2068.0	2083.6	2101.9	2100.4	2189.3	2463.7 (3/1)	1990.2 (28/8)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.92	5.99	5.95	5.89	5.89	4.63				
Earning Yld %(full)	12.35	12.50	12.42	12.30	12.35	11.16				
P/E Ratio(Net)(☆)	9.81	9.70	9.76	9.85	9.82	10.82				
SEAQ Bargns 4.45pm	17,459	19,006	19,232	19,614	18,181	20,915				
Equity Turnover(£m)†	-	724.37	662.34	578.31	580.69	785.00				
Equity Bargains†	-	17,338	17,222	18,467	16,748	20,700				
Shares Traded (ml)†	-	364.8	305.7	294.8	283.8	333.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928. Ordinary 1/7/35. Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.66

Ordinary Share Index, Hourly changes — Day's High 1623.3 — Day's Low 1601.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1604.2	1604.8	1603.5	1602.1	1602.2	1603.1	1605.8	1611.7	1623.1

FT-SE, Hourly changes — Day's High 2088.9 — Day's Low 2065.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2069.8	2068.8	2068.9	2068.5	2066.5	2066.4	2070.1	2075.7	2089.9

GILT EDGED ACTIVITY

Indices*	Oct 17	Oct 16
Gilt Edged Bargains	94.3	112.4
5 – Day average	100.5	100.2

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	7,900	119	+12
ASDA Group	1,600	129	+1
Abbey National	1,500	217½	+½
Allied-Lyons	1,300	477	+7
Amstrad	[illegible]	63	
[illegible]	415	327	+1
Argos	333	[illegible]	
Argyll Group	355	236	-1
Ass. Brit. Foods	257	398	+1
BAA	1,300	365	+6
BAT Inds.	1,300	[illegible]	+2
BET	328	216	+6
BICC	341	381	+3
BOC	216	[illegible]	+4
BPB Inds.	[illegible]	195	
BTR	1,300	315	+10
Bank of Scotland	2,100	[illegible]	
Barclays	1,800	358	+3
Bass	1,200	1047	+6
Beazer	2,000	66	+1
Beresford Int	307	27	+1
Blue Circle	1,500	214	+1
Boots	1,300	321	+3
Brit. Aerospace	311	561	+4
British Airways	3,300	140	+6
British Gas	4,300	219	-1
British Land	331	[illegible]	+6
BP	4,300	[illegible]	
British Steel	8,700	132	+½
British Telecom	4,100	282½	-1½
Bunzl	728	65	
Burmah Castrol	458	[illegible]	
Burton	3,500	72	+2
Cable & Wire.	1,000	[illegible]	-1
Cadbury	511	312	
Calor Group	60	225	-1
Carlton Comms.	108	347	+7
Coats Viyella	1,300	100	+4
Comm. Union	1,600	460½	-9½

	Volume 000's	Closing Price	Day's change
Cookson	1,100	71	+3
Courtaulds	719	319	+5
Dalgety	408	360	+3
Dixons	1,600	146	
ECC Group	446	325	+1
Enterprise Oil	849	633	-5
FKI	35	92	+1
Ferranti	3,100	18	+1
Fisons	1,000	362	+5
Gen. Accident	468	462	
General Elect.	1,700	180	+2
Glaxo	1,900	769	+18
Glynwed Int	459	214	+4
Granada	387	147	+3
Grand Met.	2,300	582	+20
GUS A	73	1086	-7
GRE	1,600	183	-6
GKN	1,300	310	+5
Guinness	836	714	+8
Hammerson "A"	230	563	+14
Hanson	6,800	192½	+6½
Hanson Warrants	616	36½	+½
Harrisons Crosfield	342	142	+2
Hawker Sidd.	301	391	+5
Hillsdown	3,200	259	-1
IMI	737	194	
ICI	835	816	+3
Inchcape	353	227	+4
Kingfisher	836	380	+5
Ladbroke	1,700	276	+7
Land Securities	329	508	+5
Laporte	69	482	+4
Legal & General	1,100	363	-10
Lloyds Abbey	488	326½	+3½
Lloyds Bank	2,800	277	-3
LASMO	1,700	431	-8
Lonrho	1,030	201	+3
Lucas	209	135	+3
MB Group	145	163	+1

	Volume 000's	Closing Price	Day's change
MEPC	102	473	+5
Manpower	180	46½	-½
Marks & Spencer	2,200	230	-2
Maxwell Comms.	1,300	154½	+4½
Midland Bank	753	192	+2
NatWest Bank	2,500	259	+2
Next	8,000	30	+1
North West Water	501	220	+1
Northern Foods	731	335	
Northumbrian Water	46	233	+1
Pearson	740	609	-8
P & O	1,700	504	+3
Pilkington	1,300	162	+3
Prudential	3,000	202½	-4
RHM	520	300	-2
RMC	621	626	+3
RTZ	320	415	+2
Racal	3,500	149	+3
Racal Telecom	1,900	244	+6
Rank Org.	1,600	609	+17
Reckitt & Colman	134	1246	+10
Redland	705	571	+8
Reed Intl.	682	340	+8
Reuters	2,100	689	+7
Rolls Royce	2,600	176	+3
Rothmans	159	705	+10
Ryl Bk Scotland	604	151	+1
Royal Insurance	2,100	386	-14
STC	1,200	277	-2½
Saatchi	361	38	+2
Sainsbury	1,000	307	+1
Scottish & New.	351	348	+8
Sears	2,000	85	+½
Sedgwick	1,800	208	+6
Severn Trent Water	902	197	+3
Shell Transport	1,600	447	
Siebe	355	278	-3
Slough Ests	700	224	+4
Smith (W H) A	299	388	+2

	Volume 000's	Closing Price	Day's change
Smith & Nephew	1,100	101½	+2½
SmKl Beecham	1,800	583	+16
SmKl Beecham Units	176	2615	+57
Smiths Inds	534	198	-4
South West Water	230	227	+1
Southern Water	491	200	-1
Standard Chartd.	5,900	264	-4
Storehouse	1,100	133½	+½
Sun Alliance	1,000	292½	-9½
Sun Life	9	1010	-5
T&N	380	148	-1
TI Group	384	381	+2
TSB	4,800	138	+1
Tarmac	1,700	243	+4
Tate & Lyle	320	242	+3
Taylor Woodrow	120	223	+6
Tesco	1,000	251	+1
Thames Water	414	231	
Thorn EMI	396	[illegible]	+7
Trafalgar House	5,200	197	+9
Trusthouse Forte	586	200	+3
Ultramar	288	324	-3
Unigate	70	[illegible]	
Unilever	530	644	+5
United Biscuits	2,700	317	
Utd Newspapers	164	314	-3
Water Package Uts.	0	[illegible]	+5
Wellcome	380	882	+12
Welsh Water	439	348	+1
Wessex Water	103	218	
Whitbread "A"	488	460	+8
Wiggins Teape	2,000	157	
Williams Hldgs.	1,500	218	
Willis Corroon	5,600	209	+8
Wimpey	658	218	+6
Yorkshire Water	328	240	

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Insurers subside at close

Composite insurers traded erratically, first on the upside to stories of possible imminent takeover moves in the UK arena by Axa-Midi, the French insurance group, and then on the downside to bearish talk about big profits downgrades triggered by fears of major claims over household subsidence.

Early gains in the sector were rapidly reversed after Axa-Midi, the French group favoured as a possible bidder for a UK composite insurer – or perhaps for Prudential's reinsurance subsidiary, Mercantile & General – dashed takeover hopes by announcing no more than an internal corporate restructuring.

The final blow came with reports that one of the composite insurers had informed analysts of a doubling in subsidence claims since the summer; this unleashed a wave of selling throughout the sector.

Talk in the market suggested a series of big profits downgrades. Hoare Govett's Chris Hitchings said that subsidence losses "will be much higher than previously expected", and will affect the companies with big household exposure, such as Royals, Sun Alliance and Legal & General. "The net effect could be that Royals and Sun Alliance may post full year losses in excess of £100m," said Mr Hitchings. BZW said it had taken a bearish view of Royals' dividend prospects as had US investment houses.

Commercial Union closed 9½ down at 460½p, Guardian Royal off at 183p, Royals 14 lower at 385p and Sun Alliance 9½ cheaper at 292½p.

Mixed views

Trafalgar House rebounded from weakness on suggestions that an investment fund had taken a positive view over prospects for the group's final dividend. Two London securities houses were said to be recommending the stock; Salomon Brothers advised clients to switch from P & O into Trafalgar, on the basis of the former's outperformance over the past six months. Analysts hold mixed views on dividend prospects, believing that much depends on whether any other major UK group cuts its dividend before Trafalgar reports in December.

Two large deals, each of 1.6m shares, were transacted yesterday as Trafalgar rose 9 to 197p. The volume of 5.2m shares was one of the heaviest for any FT-SE Index constituent. Mr Charles Pick of Nomura Research, who rates Trafalgar a potential recovery stock, said another cut in UK interest rates would help the group maintain its final payout.

Smiths Industries gave back some of the recent gain which followed optimism over increased orders from Boeing, the US aircraft maker. Smiths supplies components for most Boeing aircraft, and United Airlines has placed a record $22bn (£11.1bn) order for the Boeing 777 twin-engine wide-bodied aircraft.

The dull trend in Smiths' shares, 4 off yesterday at 198p, did not signify any reduction in this optimism, said analysts, but merely investment caution ahead of the annual results, due next Wednesday. The weakness of the US dollar may have an adverse affect but analysts still expect higher profits, predictions ranging from £113m to £118m, compared with £111.7m last year.

Second-half performance could be influenced by a rescheduling of orders by Boeing and slower growth in the medical division, said one researcher, who thought that the shares were unlikely to outperform.

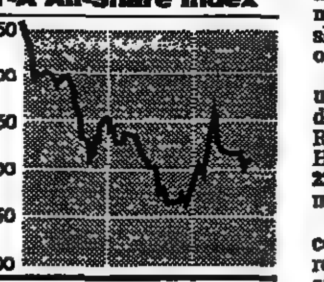
Fisher uncertain

Better-than-expected full year results from Albert Fisher, the fresh food distributor and processor, gave its shares only a marginal boost as worries continued about the possibility of the company making an acquisition. Fisher closed 2 higher at 112p after profits increased 65 per cent to £74.4m, slightly more than market forecasts.

Dealers said Fisher would have closed higher were it not for the bid speculation. Mr Tony Millar, executive chairman, predicted to analysts that the food distributor would be in the FT-SE 100 Index by the end of next year.

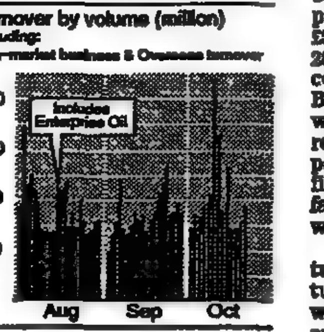
Although Fisher may hit its targets by organic growth, analysts believed a takeover seems the more likely route into the Index. Dole, a US fresh fruit produce company, was the most widely expected target for Fisher. However, that caused Geest, mentioned as a Fisher acquisition candidate, to slip 2 to 269p. Another possible target was Polly Peck's Del Monte division. Analysts left their profit forecasts for the current year unchanged at £93-94m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



Standard Chartered, in which Malaysian businessman Mr Khoo Teck Puat recently increased his holding to 7.34 per cent, lost 4 to 264p. Turnover expanded from a routine 500,000 to 5.9m after a line of 5.4m shares was recorded on the Seaq ticker only minutes before the close.

Lloyds Bank shares were unsettled during early dealings by a bearish note from Smith New Court. The shares slipped to 274p before rallying to close only 3 off at 277p after news that Brazil had offered to pay $1.2bn of interest on its debt arrears during 1991. Brazil has not paid interest on the debts since July 1989. Mr Chris Wheeler at Lehman Brothers, the US investment bank, said the news represented "a welcome break in the debt logjam; it's certainly positive news for Lloyds and Midland". Midland edged 2 higher to 192p. NatWest were a similar amount firmer at 259p in spite of what were described as poor third quarter figures from its US subsidiary.

Hambros, the merchant bank, eased 2 to 213p after a profits downgrade. Gerrard & National, the discount house, lost 7 to 278p following the interim statement.

A buy recommendation issued by Mr Simon Willis at County NatWest produced heavy activity in Willis Corroon which touched 211p before ending the day at 209p, a net gain of 8; turnover was a much higher than usual 5.6m shares. Sedgwick rose 6 to 208p on a modest 1.8m.

Highland Distilleries continued to benefit from Wednesday's deal to give it a stake in Rémy Cointreau of France. Highland rose a further 11 to 223, making a two-day improvement of 20.

ADT, the Bermuda-based conglomerate, recovered from recent weakness after both it and two of its directors bought 12,300 6 per cent convertible preference shares 2002 for £5.7m. The company now holds 28,800 such shares (7.2 per cent). ADT rose 12 to 119p. BAA, which had also been weak on fears that ADT might reduce its stake in the company, recovered; the shares firmed 8 to 385p, although the fall over three trading sessions was 15.

The latest report from Eurotunnel, which said the service tunnels under the channel were less than half a mile apart, contributed to a rise of 17 to 445p.

Ocean Wilson, a holding company with trading subsidiaries in Brazil and a portfolio of investments, both quoted and unquoted principally in the UK, eased 2 to 36p. Interim profits fell 93 per cent to £478,000 as the company blamed the impact of the Brazilian government's "Collor Plan" which froze 80 per cent of bank and other deposits. This, said the company, resulted in a decrease in interest received and an inability to remit dividends until the second half."

Tarmac announced a $300m (£152.2m) private placing of preference shares to finance the repurchase of preferred stock of Tarmac America for $147m. The balance will be used to reduce the group's indebtedness. The shares closed 4 higher at 243p.

A big buyer in Barratt Developments saw the shares well bid to finish at 101p, a rise of 4, while Hepworth also attracted demand to move 2 higher to 276p. But Attwoods continued to lose ground, following Tuesday's warning from the company that a slowdown in US economic activity would make it difficult to maintain past rates of growth. The shares ended 17 lower at 40p.

The Caird Group fell 15.8 per cent as worries persisted that Severn Trent may withdraw its bid or submit a new, lower offer. Caird ended down 11 at 59p. Over the past two days Caird has fallen 36 per cent. Severn Trent rose 3 to 197p.

Cookson, the industrial materials group hit recently by heavy profit downgrades and adverse publicity about debt levels, perked up on talk of an upgrading. The securities house mentioned in the market denied raising its estimate, but *Cookson still rallied 3 to 71p.*

Diploma moved higher, gaining 6 to 203p, on hopes that it would match last year's profit levels, in spite of difficult trading conditions in the building and semiconductor markets. The company usually reports in late November or early December.

Failure of the heavily discounted rights issue – only 3 per cent was taken up by existing shareholders – left textile concern G & G Kynoch 7 down at 38p.

Unilever gained 5 to 644p after sterling weakened against the D-Mark. Hillsdown eased a penny to 259p as turnover rose to 3.2m on suggestions that a line of 1m may have been on offer.

Brent Walker made up much of Wednesday's steep fall with *a rise of 14 to 74p.* The two-day decline was cut to 10p, as the market waited for news of a long talked-of management buy-out at the Goldcrest film production business.

Trading in the shares of two companies were suspended *pending clarification of their* financialpositions. Noble Raredon, the leisure company run by Ms Bilge Nevzat, the sister of Mr Asil Nadir, chairman of already-suspended Polly Peck, was suspended at 26p. On Wednesday it had fallen 7 to 28p. Ketson, a marketing and financial services group, was suspended at 3½p, having lost 2 during the morning session.

Pearson weakened with analysts blaming institutional concern over the prospects for News Corporation, the Australian media multinational, which holds some 18 per cent of Pearson. Holders of News Corp's 7¾ per cent Guaranteed Sterling Exchangeable Sterling Preference Shares Due 1999 were again reported to be exercising their rights to exchange *into Pearson shares or the cash* equivalent. The choice between cash or shares is News Corp's, but analysts said that some of the deals were for shares. Pearson lost 8 to 609p as a solid 740,000 changed hands in this normally thinly traded stock. News International, the UK-quoted arm of News Corp, shed another 5 to 108p, making a fall of 30 in a week.

Hartstone, the handbag and hosiery company formerly called Glamar, continued its programme of acquisitions with the purchase of a UK business and an option to buy a Dutch/German company. Panmure Gordon placed just under 2.6m Hartstone shares at 158p each to help the acquisitions, which will cost up to £9m. Panmure said the placing *was 1¼ times oversubscribed.*

Chesterfield Properties was unchanged at 540p in spite of a higher interim dividend and an increase in half year profits. The company warned that although profits were in line with expectations, full year figures are expected to include a lower valuation of the company's property portfolio.

Hammerson "A" moved up 14 to 563p as a weaker pound helped increase the company's revenue from overseas earnings. Other leading stocks suffered from a general lack of volume, but were marked up as most sectors reacted to the firmer tone on Wall Street. Oil shares substantially underperformed the wider market, hit by another reduction in crude oil prices. December Brent *slipped towards $33 a barrel* having topped $40 in recent weeks.

Shell managed a minor gain at 446p while BP, which announced the sale of its New Zealand exploration and production interests for £112m, closed little changed at 336p. Of the second-liners, Ranger stood out with a gain of 13 at 378p. Enterprise drifted off 5 to 633p and Lasmo, on higher than usual turnover of 1.7m, lost 8 to 431p.

■ *Other Market statistics, including the FT-Actuaries share index, Page 29*

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (9).
BRITISH FUNDS (2) BUILDINGS (1) STORES (1) INDUSTRIALS (2) Rolfe & Nolan, Silentnight, INSURANCE (1) TRUSTS (1).
NEW LOWS (136).
AMERICANS (14) CANADIANS (13) BREWERS (1) BUILDINGS (8) CHEMICALS (4) ELECTRICALS (2) ENGINEERING (7) FOODS (1) HOTELS (2) INDUSTRIALS (18) Abbeycrest, Arley, BBA, Bogod A, British Fittings, Business Technology, Electrolux, Eurocopy, Green (E.) & Partners, Hampson 6.5p (Net) Pf. 91/03, Ibex, Johnston Group, Lionheart, Plasticseal, Platon Intl., Porth, Siebe, Store "B" Free, Swallowfield, INSURANCE (2) MOTORS (1) NEWSPAPERS (4) PAPERS (2) PROPERTY (8) TEXTILES (8) TRANSPORT (6) TRUSTS (6) OILS (8) OVERSEAS TRADERS (2) PLANTATIONS (1) MINES (14) THIRD MARKET (1).

APPOINTMENTS

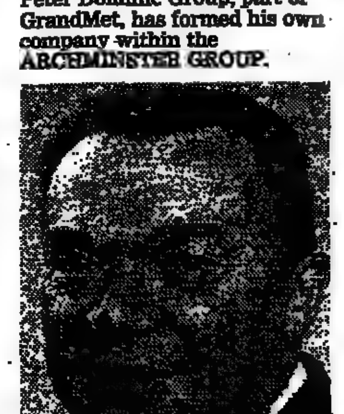
Bank of Ireland changes UK structure

■ BANK OF IRELAND is restructuring its UK operations and integrating them with the retail division under managing director Mr Pat Malloy. Mr Richard Keatinge has resigned as chief executive Britain and member of the court of Bank of Ireland. He remains chairman of Bank of Ireland Home Mortgages, and British Credit Trust; and as an executive member of Bank of Ireland Britain.

■ Mr Russell Leiman has been appointed the first director of international equity broking at CREDIT LYONNAIS, and the first foreigner to take up a senior post in the bank's capital markets division in Paris. Mr Michael Kerr-Dineen takes over from Mr Leiman as head of institutional equities at Laing & Cruickshank, the bank's London subsidiary, retaining responsibility for Laing & Cruickshank Investment Management, the private client arm.

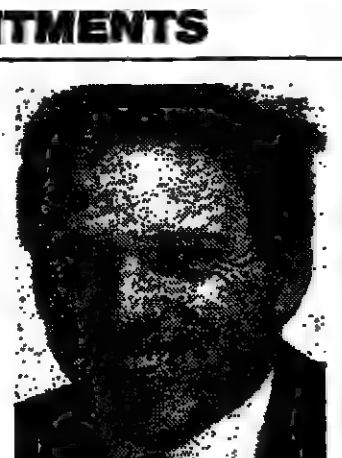
■ Mr Michael Mallinson has been appointed to the board of THE LONDON SMALL BUSINESS PROPERTY TRUST. He recently retired as property director of Prudential Portfolio Managers.

■ Mr Nick Greenland, formerly commercial development director of the Peter Dominic Group, part of GrandMet, has formed his own company within the ARCHMINSTER GROUP.



■ MEGGITT has appointed Mr Mike Stacey (*pictured*) as managing director of its aerospace division from October 22. He succeeds Mr Ed Allman who is retiring at the end of the year. Mr Stacey was previously managing director of Lucas Industries responsible for the UK aerospace companies.

■ Mr Colin Campbell has been appointed executive director of HOGG MARINE REINSURANCE BROKERS. He was managing director of B. & C. Marine Brokers.



Mr Malcolm Berryman (*pictured*) has been made appointed actuary at CROWN FINANCIAL MANAGEMENT. He joined last April as appointed actuary designate. He was with Cornhill.

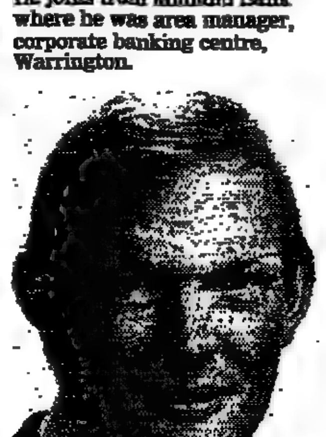
■ Mr Ian Salisbury of Maguire & Co, and Mr Gerry *Deighton*, chairman of Aukett Associates, have joined the board of RIBA INDEMNITY RESEARCH as non-executive directors.

■ Mr Leslie Aaronson, Mr Ronald Aaronson, Mr Henry Aaronson, Mr A. Allen and Mr A. Davis have resigned as directors of AARONSON BROTHERS. Mr M. Glunz, Mr M. Sobania, Mr T.E. Allison and Mr K. Kohler have been appointed directors.

■ JOHN MOWLEM CONSTRUCTION has been set up by the group as a holding company for its construction subsidiaries. Appointed to the board are: Sir Philip Beck, Mr John Marshall, Mr David Porter, Mr Brian Watkins, Mr John Gains and Mr Ian Grice.

■ Mr John Barber is to be appointed general manager of ROYAL REINSURANCE CO. He is assistant general manager (operations).

■ COUNTY NATWEST has appointed Mr Ian Hitchen as a local director in Manchester. He joins from Midland Bank where he was area manager, corporate banking centre, Warrington.



Mr David Muir (*pictured*) has been appointed group marketing and development director of PICKFORDS, part of the NFC. He was director, removals division, Abels of Watton.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99½	96½	Treas. 10pcCv 1990	99½		10.04	[illegible]
99½	93½	Exch 2½pc 1990	99½		2.52	[illegible]
99½	97	Treas 11¾pc 1991	99½		11.81	[illegible]
97½	92	Funding 5¾pc '87-91‡‡	97½	+⅛	5.90	[illegible]
96	89½	Treas. 3pc 1991	96	+⅛	3.12	[illegible]
98	94	Treas 10pc Cv '91 ‡‡	98		10.17	[illegible]
99	94	Exch. 11pc 1991	98		11.13	[illegible]
95	90	Treas. 8pc 1991	95		8.35	[illegible]
101	97	Treas 12¾pc 1992‡‡	100	–⅛	12.65	[illegible]
98	92	Treas 10pc 1992	97		10.25	[illegible]
95	89	Treas. 8pc 1992 ‡‡	94		8.43	[illegible]
98	93	Treas 10½pc Cv 1992‡‡	98		10.71	[illegible]
89	82	Treas. 3pc 1992	89		3.34	[illegible]
101	95	Exch 12¼pc '92	100	–⅛	12.20	[illegible]
104	98	Exch 13½pc 1992	102	–⅛	13.14	[illegible]
93	86	Treas 8¼pc 1993	92	–⅛	8.98	[illegible]
97	90	Treas 10pc 1993‡‡	96	–⅛	10.37	[illegible]
103	96	Treas 12½pc 1993‡‡	101	–⅛	12.30	[illegible]
88	82	Funding 6pc 1993‡‡	88		6.77	[illegible]
107	99	Treas 13¾pc 1993‡‡	105	–⅛	13.04	[illegible]
92	84	Treas. 8½pc 1994	91	–⅛	9.30	[illegible]
111	102	Treas 14½pc 1994‡‡	108	–⅛	13.37	[illegible]
107	99	Exch 13½pc 1994	105	–⅛	12.80	[illegible]
97	88	Treas. 10pc Ln. 1994‡‡	95	–⅛	10.46	[illegible]
104	96	Exch. 12½pc 1994	102	–⅛	12.17	[illegible]
93	85	Treas 9pc 1994‡‡	91	–⅛	9.79	[illegible]
103	94	Treas 12pc 1995	101	–⅛	11.82	[illegible]
81	73	Exch 3pc Gas 90-95	79		3.77	[illegible]
97	88	Exch. 10¼pc 1995	95	–⅛	10.73	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS – Contd

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing. [illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS – Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21½	5⅛	Chase Manhattan $12½	6⅛	+⅛	$1.20	–	19.7
19¼	634p	Chem. Banking Corpn	634p	–20	$1.00	–	8.0
12½	5⅜	Chrysler $6¼	[illegible]	[illegible]	$1.20	–	11.2
[illegible]							

CANADIANS

[illegible]

Continued on next page

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£13½	£9	ABN Amro F15	£9¼	..	Q28%	2.1	9.0	5.2
303	161	ANZ $A1	164	+1	44c	1.4	10.9	6.5
233	172	Abbey National 10p	217½	+½	5.7	4.3	3.5	8.8
*274	128	Allied Irish Ord	148	+2	Q40%	3.3	6.1	6.7
85	47	Anglo Irish	48	..	Q18.7%	2.7	8.7	6.9
93	61	Ansbacher (H.) 1p	64	..	2.5	1.3	5.1	19.0
£71½	£32	Bancaire Cie Fr100	£42½	+1	Q12½%	—	3.1	—
£22½	£13½	Banco Bilbao Viz.	£14½	+1	Q49.1%	2.7	5.4	10.1
286	136	Bank Ireland IrE1	144	..	Q14.7%	2.9	9.1	5.1
£19½	£18	Bank Leumi	£19½	....	—	—	—	—
351	320	Bank Leumi (U.K.)	350	....	†15.0	—	5.7	—
129½	100	Bank Scotland	109xd	....	r4.55	3.4	5.6	6.9
100¼	83½	Do. 9¼pc Irrd Pf	98½	−½	9¼%	—	12.5	—
54	39	Bank of Wales	39xd	..	2.8	0.8	9.6	(18.7)
428	290	Barclays £1	358	+3	†h19.57	3.5	7.3	5.0
22	11	Benchmark 20p	12	....	0.75	—	8.3	—
335	238	Brown Shipley £1	240	....	12.0	2.2	6.7	7.8
*435	285	Cater Allen £1	323	−1	‡24.5	—	10.1	—
179	49	Chancery	49	....	9.0	2.7	24.5	2.0
£23¼	£15¼	Commerzbk DM10	£15½	+¼	Q18%	—	4.0	—
£13¼	620	Dai Ichi KBk Y50	728	+24	Q17%	6.2	0.5	34.4
£313	£194	Deutsche Bk DM50	£211½	+6¼	Q28%	—	2.2	—
£20¾	£14½	Espirito Santo	£15¼	....	Q75c	5.1	2.5	7.8
253	166	First Nat. Fin. 10p	190	+1	13.0	2.1	9.1	6.5
121	82	FNFC 6.3pc Cv Pf	95	+1	6.3%	—	8.8	—
£13¼	633	Fuji Bank Y50	812	+49	Q17%	♦	0.4	♦
325	262	Gerrard & National	278	−7	19.0	—	9.3	—
154	98	Guinness Mahon 10p	98	....	2.1	—	2.9	—
328	194	Hambros 20p	213	−2	11.5	—	7.2	—
128	88	Do. 7.5pc Cv Pf	93	−1	7½%	—	10.8	—
53½	31½	HK & Shang. HK$2.50	32	−½	†hQ38c	—	8.0	—
478	378	Joseph (Leo) £1	378	..	15.85	—	5.6	—
150	105	King & Shaxson 20p	115	−1	10.25	—	11.9	—
422	262	Kleinwort Benson Grp.	281	....	16.0	2.5	7.6	6.7
642	316	Kyowa Bank Y50	394	+1	Q14%	♦	0.8	♦
316	182	Lloyds £1	277	−3	†13.3	2.6	6.4	6.5
56	44	Lon. Scot. Bank 10p	47	....	†2.4	1.9	6.8	9.3
404	185	Midland £1	192	+2	†18.0	2.6	12.5	4.0

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS — Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

هكذا من الأصل

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MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
35	25	♦Ayer Hitam SM1	25	......	Q53.3c	0.7	–
75	45	Gopeng Berhad M$0.50	45	......	Q11c	2.6	4.6
67	27	Malaysia Mng. 10c	32	......	07c	2.3	4.1
160	130	Petaling SM1	130	......	Q180c	–	25.2
125	125	Sungei Besi SM1	125	......	–	–	–
90	90	Tanjong Tin 15p	90	......	–	–	–

Miscellaneous

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
190	90	Anglesey Mining 9p	98	–5	–	–	–
110	13	Do Warrants	13	–5	–	–	–
17	8	Anglo-Dominion	8	......	–	–	–
651	222	Bond Intl. Gold	226	+6	–	–	–
37	13	Butte Mining 10p	13½	–½	–	–	–
44	9	♦Colby Mines	9	......	–	–	–
122	28	Cons. Murch 10c	28	......	030c	5.5	26.7
26	3	♦DRX Inc.	3	......	–	–	–
24½	7½	♦Eoner Int Ir10p	8½	+½	–	–	–
98	30	Europa Minerals 2p	30	......	1.0	–	4.4
86	25	Geevor	25	–1	–	–	–
43	13	Greenwich Res.	15	......	–	–	–
£10½	£4½	♦Hemlo Gold Mines	£4½	+½	S020c	–	2.1
£14½	£8½	Homestake Mining $1	£8½	+½	Q20c	–	1.2
49½	22	♦Kenmare	23	–1	–	–	–
16	5¼	♦McFinley Red Lake	5¼	......	–	–	–
20¼	7	♦New Sabina Res C$1	14	......	–	–	–
457	140	Northgate Expl. C$1	140	......	–	–	–
39½	3½	♦Nor-Quest Res.	4	......	–	–	–
255	90	Oryx Gold Hldgs	182	......	–	–	–
93	45	Plateau Mining 20p	45	......	–	–	–
605	392	RTZ 10p	415	+2	t18.9	2.5	5.9

THIRD MARKET

NOTES

[illegible] ... dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1	700	......
Finlay Pkg. 5p	40	......
Holt (Jos) 25p	1305	......

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£98½	......
9pc Cap Ln. 1996	£94¼	+¼
Fin. 13% 97/02	£110¼	......
Arnotts	180	......
Carrol (P.J.)	154½	+2½
Hall (R. & H.)	165	......
Helton Hldgs	50	......
IRG	155	......
United Drug	130	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons	37
Comm Union	37
Courtaulds	25
Eurotunnel	48
FKI	5½
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd.	39
ICI	70
Ladbroke	22
Legal & Gen.	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds.	11
Marks & Spencer	18
Midland Bk.	20
Nat West Bk.	18
P & O Dfd	42
Polly Peck	48
Racal Elect.	14
RHM	25
Rank Org Ord.	49
Reed Intnl.	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property	
Brit Land	24
Control Secs.	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils	
Aviva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	28
Gaelic Res.	2
Premier	8½
Shell	40
Tuskar Res.	6
Ultramar	31

Mines	
Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. [illegible] a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point [illegible] The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point [illegible]

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. [illegible]

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. [illegible]

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
National Provident Institution				
48 Gracechurch St, London EC3P 3HH		071-623 4200		
Managed	299.6	315.4	+0.9	–
UK Equity	378.0	397.9	+0.3	–
Overseas Eq	283.1	298.1	+2.9	–
Americas	199.8	210.4	+1.0	–
Far East	[illegible]	327.5	+4.6	–
Property	189.1	199.1	-0.2	–
Fixed Int	229.9	242.1	[illegible]	–
Indexed Gilt	142.8	150.4	...	–
Deposit	171.0	180.1	+0.1	–
Pension Fund (Accum Units)				
Managed	414.6	436.5	+1.1	–
UK Equity	480.7	506.1	+0.4	–
Overseas Eq	469.2	493.9	+4.6	–
Americas	266.0	280.1	[illegible]	–
Far East	[illegible]	544.9	+7.3	–
Property	232.3	244.6	-0.2	–
Fixed Int	[illegible]	293.9	-0.3	–
Indexed Gilt	157.0	165.3	–	–
Deposit	234.7	247.1	+0.1	–
NPI Pensions Management Ltd				
Managed Fund	908.9	925.1	...	–
Prices Oct 3 Next dealing Nov 1				
Norwich Union Asset Management Ltd				
PO Box 140 Norwich NR3 1PP		0603 686787		
NUAM Funds				
Managed Fund	60.4	63.5	–	–
Stock Market Mngd Fund	56.6	59.6	+0.1	–
Equity Fund	64.8	68.2	-0.1	–
International Fund	49.4	52.0	+0.4	–
European Fund	60.8	64.0	+0.5	–
North American Fund	45.7	[illegible]	+0.1	–
Pacific Fund	51.2	53.9	+0.5	–
Property Fund	87.5	92.1	+0.1	–
Fixed Interest Fund	[illegible]	54.8	-0.3	–
Index linked Sec Fund	58.0	61.1	...	–
Deposit Fund	65.6	69.1	–	–
NUAM Retirement Plans				
Mixed Fund	65.4	[illegible]	–	–
UK Ordinary Share Fd	74.3	78.3	-0.1	–

	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd – Contd.				
Total Investment Bond				
UK Equity Initial		129.4	+0.4	–
UK Fixed Int Initial		106.8	+0.3	–
Intl Equities Initial		[illegible]	-0.8	–
UK Managed Initial		104.5	..	–
Property Initial		164.3	.	–
Money Initial		83.8		–
Special Market Initial		94.6	+0.6	–
Japan Equity Initial		77.4	+0.9	–
North American Initial		59.6	+0.3	–
Pacific Initial		59.5	+0.3	–
Technology Initial		79.4	-0.3	–
Nat Resources Initial		42.8	-1.4	–
European Initial		82.4	+0.4	–
Residential Prop Init		93.9	–	–
Swiss Equities Initial		30.5	+0.1	–
Hong Kong Initial		42.7	–	–
UK High Inc Eq Init		58.3	-0.2	–
Intl Fixed Interest Initial		49.0	...	–
Int Managed Init		48.9	[illegible]	–
HIP Managed Init		94.4	[illegible]	–
HIP Managed II Initial		84.3	-0.1	–
Broker Funds				
High Performance	60.4	63.7	-0.3	–
Towerhill Mngd Fd Acc	36.4	38.3	-1.0	–
YRA Executive Fd	82.2	87.7	+0.4	–
E Global Growth Acc	109.2	115.1	-1.0	–
E High Income Mony Acc	131.8	139.0	–	–
IM Balanced		45.9	-0.2	–
H F Speculator Fd		113.2	-0.6	–
PEP Acorn II		105.0	+0.1	–
PEP Cautionary		66.9	..	–
AAFS Inc Man Fund		107.2	-0.9	–
Andrews-Green Inv Port		76.8	-0.9	–
Individual Pension Funds				
UK Equity Acc	204.1	215.4	+0.7	–
UK Fixed Interest Acc	193.5	204.2	[illegible]	–
Intl Equities Acc	189.2	199.6	-2.0	–
UK Managed Acc	164.3	173.3	–	–
Property Acc	208.8	220.3	[illegible]	–
Money Acc	149.0	157.2	[illegible]	–

	Bid Price	Offer Price	+ or -	Yield Gross
Sun Alliance International Life				
PO Box 77 New St, St Peter Port, Guernsey		0481 714108		
North American Equity $	$7.56	8.14		–
Pacific Equity $	$7.06	7.60		–
Intl Currency $	$4.23	4.57		–
Intl Bond Fund $	$6.81	7.33		–
Gilt Fund £	£3.92	4.22		–
US Dollar Mngd Fd $	$1.54	1.66		–
Stlg Managed Fd £	£1.01	1.09		–
Target International Group				
1 rue Emile Bian, Luxembourg		Tlx 2809 Tel 4050731		
Sterling Pens Plan	£0.70	0.76	-0.01	–
US Dollar Pens Plan	$0.69	0.75	+0.05	–
Yen Pens Plan	Y226	[illegible]		–
Ecu Pens Plan	Ecu0.62	0.68		–
Sterling Man Fd	£1.00	1.06	-0.05	–
Sterling Fixed Int Fd	£1.53	1.62	+0.01	–
US Dollar Man Fd	$1.12	1.19	-0.05	–
US Dollar Fixed Int Fd	$1.40	1.49		–
Ecu Bond Fd	Ecu1.08	1.14		–
Davenport Choice £ Fd	£0.76	0.83	+0.01	–
Davenport Choice $ Fd	$0.50	[illegible]	-0.01	–
Davenport Chad £ F I	£1.08	[illegible]		–
LWI Universal Stg Mgd	£0.76	[illegible]		–
LWI Universal $ Mngd	$0.63	0.66	+0.01	–
Mattheson £ Fund	£0.74	[illegible]		–
Mattheson $ Pens	$0.79	0.84		–
EDN MIM £	£0.83	0.90		–
EDN MIM $	$0.94	1.01		–
Royal Wessex Fund	£0.70	0.737	-0.006	–
Wessex Special Sits	£0.99	[illegible]	+0.001	–
Pronico $ Managed	$0.92	[illegible]	+0.002	–
Proinco £ Managed	£0.97	1.018	+0.003	–
Argent Stg Blncd		£10.51		–
Argent Stg Enty Gth		£10.95		–
OFS Japan Capt Mgd Gr £		£0.96		–
OFS Japan Capt Mgd Gr $		$1.06		–
OFS Aggressive $		$0.91		–
OFS Mngd Growth $		$1.13		–

	Bid Price	Offer Price	+ or -	Yield Gross
J. D. Ward Financial Services Ltd				
5 Kingsway, London, WC2		01-836 4321		
Target Mngd Bond	184.0	193.7		–
Target Mngd Pension	111.3	117.2		–
Albany Life Acc	[illegible]	[illegible]	-0.1	–
Albany Pens Acc	203.8	[illegible]		–

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring Int Fund Managers Guernsey Ltd				
Mngd Portfolio (Dist)	$9.48	10.08	----	-
Mngd Portfolio (Stlg)	£3.57	3.62	----	-
US Dollar	$14.50		+0.01	-
Sterling	£17.60		----	-
Deutschemark	DM37.84		+0.02	-
Japanese Yen	Y3783		+1	-
Managed	$41.90	44.34	+0.33	-
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	DKr115.40	115.60	----	-
Finart-Coosell Fund Mngrs (Guernsey) Ltd				
Nasleville G & B Fd	SFr7.79	7.85	----	-
John Govett Mngmt International Ltd				
Govett High Inc Gilt	£0.3461	0.3681	+0.0009	14.09
Govett Far East Inv	$0.874	0.934	+0.006	-
Energy & Resources	$0.662	0.708	+0.002	-
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$8.9058	9.3511	-0.152	-
Havelet Throgmorton Mngmt Ltd				
Intl Inv-Stlg High Inc	£9.915	10.459	----	10.09
Intl Inv-Intl High Inc	$48.525	51.119	----	5.54
Henderson Admin. (Guernsey)				
Hill Samuel Fd. Mngrs. (Guernsey) Ltd				
Guernsey Tst	64.83	69.33	-0.12	2.79
Kleinwort Benson Intl Fd Mngrs Ltd				
KB Int.Ac.Bd.Acc*	£8.449	8.896	----	-
KB Japan Fund		$204.76	----	-
KB Sterling Asset	£29.30	29.30	----	-
*Offer price inclusive of maximum preliminary charge				
Kleinwort Benson Islamic Fd Mngmt Ltd				
Islamic Fund	$5.70	6.10	----	0.48

	Bid Price	Offer Price	+ or -	Yield Gross
Sarasin (Isle of Man) Ltd				
Fergus Fd Oct 11	$11.58		----	-
UK Trust Oct 11	£8.50		----	-
Target International (Isle of Man) Ltd				
IOM Offshore Fd	£7.75	8.38	----	-
Fleet Street Inv Fd	£7.04	7.49	----	-
Offshore Income Fd Ltd	£8.82	9.28	----	-
[illegible]	£8.88	9.37	----	-
[illegible]	£6.92	6.52	----	-
Tyndall International (Isle of Man) Ltd				
H.I. Gilt/Building	99.3	-	----	-
(Accum Shares)	158.3	166.5	-0.3	-
Unibank Scandinavian Fund Ltd				
Scandinavia Fd	165.48	176.10	----	1.0

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	£0.734	0.734	0.789	[illegible]	2.5
Global Income (Inc)	5¼	£0.396	0.396	0.429	[illegible]	4.6
Global Resources R	5¼	£0.326	0.326	0.352	[illegible]	1.3
Currency Fund						
Stlg Premium Income R		£10.20		10.21	+0.01	13.3
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 189, Capital Hse, Bath St., St. Helier, Jersey						
Tel: 0534 74689 (Dealing) 0534 75639 (Helpline)						
Facsimile: 0534 79040 Telex: 4192156						
Capital House International Growth Funds Ltd						
Equities						
UK Equity	5	£1.055	1.069	1.134	[illegible]	-
North American	5	$1.320	1.353	1.436	[illegible]	-
Japanese	5	$1.591	1.601	1.699	[illegible]	-
Pacific Basin	5	$2.095	2.118	2.248	[illegible]	-
Continental European	5	$2.376	2.406	2.554	[illegible]	-
Gold	5	$1.213	1.238	1.314	[illegible]	-
Bonds						
Sterling Bond	5	£1.365	1.365	1.440	[illegible]	-
International Bond	5	$1.826	1.826	1.925	[illegible]	-
Currencies						
£ Sterling	0	£24.53		24.53	+0.01	14.16
US$	0	$18.80		18.80	----	6.24
Japanese Yen	0	Y3,584		3,584	----	6.18
D Marks	0	[illegible]		57.77	+0.01	6.69

JERSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
GW Investment Mngmt Ltd				
GW Guaranteed Futures Ltd-Ser I NAV July 31 US$9.13				
Gala Currency Funds				
Gala Hedge I	$119.71	120.14	----	-
Gala Hedge II	$290.71	296.53	----	-
Gala Hedge III	$138.99	142.16	----	-
Gala Gtd Crncy	$86.57	-	----	-
GAM Fund Management Ltd (u)				
GAM Universal US Dlr Acc		$105.50	-	-
GAM Universal US Dlr Inc		$105.50	-	-

	Bid Price	Offer Price	+ or -	Yield Gross
North Star Fund Managers (Cayman) Ltd				
Invest Fund	DKr278.0	279.0	----	-
Low Risk Fund	DKr220.0	221.0	----	-
High Perf Fund	DKr265.0	266.0	----	-
Bond Fund	DKr162.0	163.0	----	-
Secured Low Risk Fd	DKr176.0	177.0	----	-
Invest Fd (Cayman)	DKr126	127.0	----	-
High Perf Fd (Cayman)	DKr135.0	136.0	----	-
Bond Fd (Cayman)	DKr124.0	125.0	----	-

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar steady but pound falls

ECONOMIC NEWS had little impact on the dollar, but pushed sterling down on the foreign exchanges yesterday. The US currency touched a record trading low of DM1.5010. It then rallied in late European trading to finish little changed on the day, despite a rise in the August US trade deficit to $9.34bn from $9.12bn. The trade gap was slightly wider than expected, but an unchanged rise of 0.8 per cent in September US consumer prices was slightly below most forecasts. Year-on-year inflation climbed to 6.2 from 5.6 per cent, but was below expectations of 6.4 per cent.

The dollar showed a reluctance to move below $1.5000. Despite rebounding it still finished in London at an all time closing low of DM1.5105 against DM1.5110 previously. In terms of the Japanese yen the dollar closed below Y125.00 for the first time since 1988. It fell to Y124.90 from Y125.20, while closing unchanged at FFr5.0625 and improving slightly to SFr1.2735 from SFr1.2725. On Bank of England figures the dollar's index rose to 60.3 from 60.1.

Sterling lost ground, although it's reaction to figures on UK money supply, bank lending and employment trends was muted. Dealers were hoping for some positive news to support the currency from last night's speech in the City by Mr John Major, the UK chancellor of the Exchequer.

Money supply trends were in line with expectations. On the other hand data on lending and employment were regarded as bad for the economy but possibly bullish for the pound as hopes of cuts in UK interest rates continued to fade. Lending by banks and building societies (M4) rose £7.5bn in September, against £4.8bn in August. The market was looking for an increase of about £6.0bn and was also concerned at a rise of 10¼ per cent in August average earnings. The July figure was revised up to a rise of 10¼ from 10 per cent.

The pound hovered around its mid-rate of DM2.95 against the D-Mark within the European Monetary System exchange rate mechanism. It finished in London at DM2.9525 compared with DM2.9700 on Wednesday. Sterling also fell to FFr9.8925 from FFr9.9475; to SFr2.4875 from SFr2.5000; and to Y244.00 from Y246.00. In terms of the US dollar it lost 1.10 cents to $1.9540. The pound's index fell 0.6 to 94.4.

Sterling drifted lower within the ERM, finishing 0.30 per cent above its central rate against the lowest placed Italian lira, compared with 0.81 per cent on Wednesday.

The Australian dollar continued to weaken, falling to 76.90 US cents in London from 78.25 cents in Sydney. Selling by the Reserve Bank of Australia and comments by Mr Bob Hawke, the Australian prime minister, about interest rates being above the levels that the government wanted in the medium term, pushed the currency down.

£ IN NEW YORK

Oct.18	Close	Previous Close
£ Spot	1.9695-1.9705	1.9615-1.9625
1 month	0.99-0.98pm	0.96-0.93pm
3 months	2.66-2.63pm	2.72-2.69pm
12 months	8.42-8.32pm	8.38-8.28pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct 18	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	133.631	129.111	-3.38	3.87	69
Belgian Franc	42.4032	42.4180	0.03	0.32	[illegible]
Sterling	0.696904	0.697262	0.05	0.30	-1
Irish Punt	0.767417	[illegible]	0.08	0.27	0
French Franc	6.89509	6.90401	0.13	0.22	-3
Danish Krone	7.84195	7.85831	0.21	0.14	-6
German D-Mark	2.05586	2.06014	0.21	0.15	-6
Dutch Guilder	2.31643	2.32186	0.23	0.12	[illegible]
Italian Lira	1538.24	1543.68	0.35	0.00	-13

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

STERLING INDEX

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

CURRENCY MOVEMENTS

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY RATES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

[illegible]

* Selling rate

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE SHORT STERLING OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int
October	1633.0	1662.0	+39.0	1662.0	1623.5	10,612
November	1638.0	1664.0	+36.5	1664.8	1638.0	1,379
December	1643.0	1643.0	+10.0	1643.0	1643.0	450
March	-	-	-	-	-	0

Estimated volume 10,008 Total Open Interest 12,441

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	16
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd	15½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc	16½	● Smith & Williamson Secs	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co	15	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	15
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	15½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Westpac Bank Corp	14
Benchmark Bank	15	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk	14		
Clydesdale Bank	14	Midland Bank	14		
Comm.Bk.of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKETS

London rates firmer

INTEREST RATES were firmer in London yesterday, following publication of disappointing figures on UK average earnings and bank lending. The data put downward pressure on sterling and depressed any lingering hopes of an early further cut in UK bank base rates.

Three-month sterling interbank was quoted at 13⅞-13¾ per cent against 13⅞-13¾ and 12-month money rose to 13¼-13⅛ per cent from 13⅛-13.

On Liffe short sterling futures weakened on the economic news. December delivery opened little changed at 86.68, but this was the day's high. The contract fell to a low of 86.59 and closed at 86.63 against 86.69 on Wednesday.

Credit conditions were tight on the London money market. The Bank of England initially forecast a day-to-day shortage of £750m, but revised this to £650m at noon. Total help of £535m was provided.

Before lunch the authorities bought £259m bills outright, by way of £27m Treasury bills in band 2 at 13¾ per cent and £232m bank bills in band 2 at 13¾ per cent. In the afternoon another £191m bills were purchased, via £37m Treasury bills in band 1 at 13⅞ per cent and £154m bank bills in band 1 at 13⅞ per cent. Late assistance of around £85m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £638m, with a rise in the note circulation absorbing £70m and bank balances below target £45m. These outweighed exchequer transactions adding £15m to liquidity.

In Frankfurt call money remained at 8.05 per cent following the Bundesbank's injection of a net DM1.8bn at this week's securities repurchase agreement tender. As expected, the central bank at a meeting of the council left its discount rate at 6.00 per cent and the Lombard emergency financing rate at 8.00 per cent.

Dealers suggested that the Bundesbank was not unhappy to see call money firm, against the background of uncertainty caused by the unification of Germany. Tight conditions were also caused by the fact that banks in the former East Germany continue to keep higher than required reserves with the Bundesbank. On Monday banks reserve holdings with the central bank rose to DM72.5bn from DM68.8bn to average DM72.8bn for the first 16 days of the month.

UK clearing bank base lending rate
14 per cent
from October 8, 1990

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

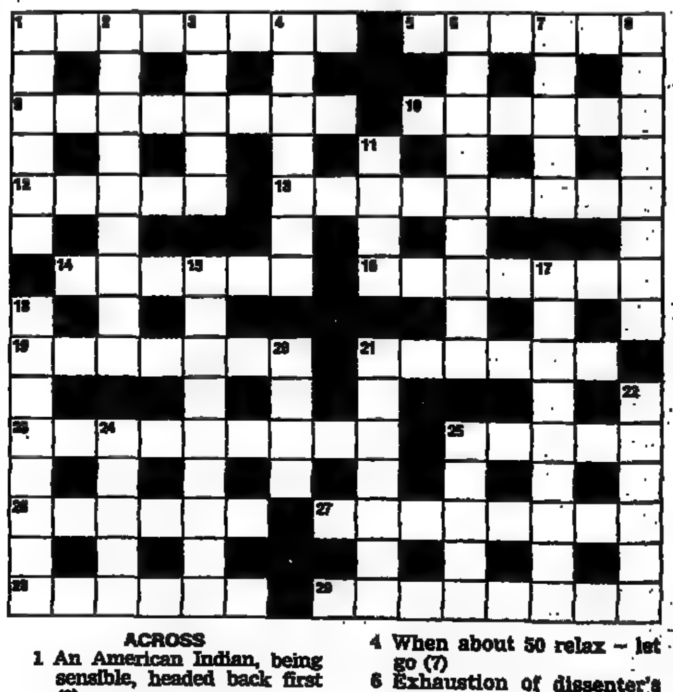
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,371 Set by VIXEN



ACROSS
1 An American Indian, being sensible, headed back first (8)
5 Layers making a start (6)
9 The beast a guy bore (8)
10 Double up to stop outside right (6)
12 Follow directions – bring a suit (5)
13 Left a group of musicians around 20 (9)
14 A lady obliged to accept a large figure (6)
16 Failing no tests, it's to go ahead (7)
19 A risk taken by Edward helped (7)
21 The right to quit (6)
23 Sort of transport club – a name's needed for it (9)
25 The proprietor has to acknowledge royalty (5)
26 Precipitate at holding trains up (6)
27 The pretty girl in red was plainly not content (8)
28 He believes he is to be entered in certain races (6)
29 This swimmer may be found hurtful – trying as can be (8)

DOWN
1 A mother bird will get wet (6)
2 The painting wins over the head (9)
3 Swore dreadfully, and that's not so good (5)
4 When about 50 relax – let go (7)
6 Exhaustion of dissenter's resources (9)
7 On the other hand it could make a profit (5)
8 Changing at noon (8)
11 Qualify for free ticket (4)
15 One staple product coming from animals (9)
17 A foreigner without money can become a killer (9)
18 Fall, and as a result the outlook's poor (8)
20 Many an individual finds this socially acceptable (4)
21 Most mysterious river bug (7)
22 Fight about the same time of the week (6)
24 Move clumsily and obstruct turning for example (5)
25 Once a ditherer in the main (5)

Solution to Puzzle No.7,370

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA — October 18 — Sch. — + or −

[illegible]

BELGIUM/LUXEMBOURG — October 18 — Frs. — + or −

[illegible]

DENMARK — October 18 — Kr — + or −

[illegible]

FINLAND — October 18 — Mks — + or −

[illegible]

FRANCE — October 18 — Frs. — + or −

[illegible]

FRANCE (continued) — October 18 — Frs. — + or −

[illegible]

GERMANY — October 18 — Dm. — + or −

[illegible]

GERMANY (continued) — October 18 — Dm. — + or −

[illegible]

ITALY † — October 18 — Lire — + or −

[illegible]

ITALY † (continued) — October 18 — Lire — + or −

[illegible]

NETHERLANDS — October 18 — Fls. — + or −

[illegible]

NORWAY — October 18 — Kroner — + or −

[illegible]

SPAIN — October 18 — Pts. — + or −

[illegible]

SWEDEN — October 18 — Kronor — + or −

[illegible]

SWITZERLAND — October 18 — Frs. — + or −

[illegible]

SOUTH AFRICA * — October 17 — Rand — + or −

[illegible]

JAPAN — October 18 — Yen — + or −

[illegible]

AUSTRALIA — October 18 — Aust.$ — + or −

[illegible]

AUSTRALIA (continued) — October 18 — Aust.$ — + or −

[illegible]

HONG KONG — October 18 — H.K.$ — + or −

[illegible]

MALAYSIA — October 18 — MYR — + or −

[illegible]

SINGAPORE — October 18 — S$ — + or −

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (a) unavailable. (x) Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † 18/10 No trading owing to industrial action. * South African prices unavailable.

CANADA

TORONTO
Closing prices October 18

Quotations in cents unless marked $.

Sales	Stock	High	Low	Close	Chng
[illegible]					

MONTREAL
Closing prices October 18

Sales	Stock	High	Low	Close	Chng
[illegible]					
500	Donohue	$11	11	11 + ¼	
62400	Memotec	$07⅞	07½	07⅞ + ⅛	
109157	NatBk Cda	$07⅞	07½	07⅞ + ⅛	
88875	Power Corp	$15⅛	15	15⅛ + ⅛	
10228	Provigo	$09⅛	09	09 − ⅛	
18275	Quebecr A	$12	11⅞	11⅞ + ⅛	
17850	Quebecr B	$10⅛	10⅛	10⅛ + ⅛	
2526	Videotron	$10	09⅞	09⅞	

Total Sales 4,912,631 shares.

f – No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Oct. 18	Oct. 17	Oct. 16	Oct. 15	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2452.72	2387.87	2381.19	2416.34	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.13	88.74	88.82	88.03	93.04 (3/1)	88.44 (24/9)	—	—
Transport	856.88	821.93	823.41	832.29	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.31	207.49	206.55	206.99	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2461.63 (2418.56) Low 2391.83 (2358.17)

STANDARD AND POOR'S

	Oct. 18	Oct. 17	Oct. 16	Oct. 15	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	305.74	298.76	298.92	303.23	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	358.86	349.98	350.09	355.03	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	19.83	19.28	19.46	19.92	31.87 (3/1)	19.24 (11/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	167.13	163.59	163.64	165.84	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (28/4/42)
Amex Mkt. Value	291.84	289.13	290.32	293.27	382.45 (5/1)	289.13 (17/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	334.83	326.70	325.44	329.54	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct. 12	Oct. 5	Sep.28	year ago (approx.)
Dow Industrial Div. Yield	4.23	4.04	4.14	4.01

	Oct. 17	Oct.10	Oct. 3	year ago (approx.)
S & P Industrial div. yield	3.59	3.56	3.42	3.20
S & P Indl. P/E ratio	14.15	14.28	14.85	13.00

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Citicorp	7,668,000	13⅞	+ ⅛
Philip Morris	4,197,900	46⅞	+ 1⅞
Puget Sound	3,036,600	20⅞	+ ⅛
Waste Man	2,369,700	32¼	+ 2⅞
Fannie Mae	2,323,500	28¼	+ ⅛
Am Express	2,321,900	18⅞	+ ⅛
Baxter Intl.	2,203,700	26½	+ 1
Gen Electric	2,116,800	54½	+ 1⅞
Digital Equip	2,113,800	51	+ 4¼
Student Ln	2,026,900	37⅞	+ 1⅞

TRADING ACTIVITY

† Volume Millions	Oct. 18	Oct. 17	Oct. 16
New York	205.266	161.260	151.500
Amex	12.375	10.076	11.139
NASDAQ	(u)	121.784	117.130
Issues Traded	1,977	1,965	1,977
Rises	1,118	658	472
Falls	441	832	1,072
Unchanged	418	475	433
New Highs	12	6	5
New Lows	141	254	278

CANADA

TORONTO	Oct. 18	Oct. 17	Oct. 16	Oct. 15	1990 HIGH	1990 LOW
Metals & Minerals	2650.30	2598.61	2588.00	2634.60	3453.05 (4/1)	2588.00 (16/10)
Composite	3060.02	3023.38	3009.91	3032.84	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1642.16	1616.25	1607.24	1616.66	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 18	Oct. 17	Oct. 16	Oct 15	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1366.2	1341.7	1336.9	1321.4	1713.7 (2/1)	1321.4 (15/10)
All Mining (1/1/80)	642.3	639.2	642.4	635.6	860.8 (5/1)	635.6 (15/10)
AUSTRIA						
Credit Aktien (30/12/84)	460.89	452.24	455.80	460.14	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5098.56	5085.94	5141.50	5120.66	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	342.89	341.67	340.49	339.87	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	411.6	413.7	416.8	417.8	677.3 (23/1)	411.6 (18/10)
FRANCE						
CAC General (31/12/82)	432.81	431.10	432.64	431.34	564.62 (30/3)	420.18 (26/9)
CAC 40 (31/12/87)	1644.07	1616.00	1601.92	1598.91	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	629.29	617.96	625.70	629.28	832.32 (19/7)	568.69 (28/9)
Commerzbank (1/12/53)	1804.49	1770.8	1793.2	1804.9	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1470.07	1440.79	1460.72	1478.89	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2950.52	2958.54	2949.57	2916.38	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1292.87	1286.45	1295.63	1279.97	1883.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	(c)	552.69	553.71	552.89	763.52 (14/6)	552.69 (17/10)
JAPAN						
Nikkei (16/5/49)	24367.08	23859.36	23606.10	23189.20	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1783.53	1753.34	1731.69	1706.33	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3065.14	3060.98	3046.92	3047.94	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	469.44	(c)	467.39	477.49	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	233.5	231.8	232.1	232.2	271.4 (20/7)	228.2 (28/9)
CBS All Shr (End 1983)	171.4	170.2	170.4	170.5	206.3 (3/1)	167.6 (28/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	737.28	738.02	731.97	738.18	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	537.25	540.93	535.66	537.45	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	306.69	(c)	304.89	306.40	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1363.0	1358.0	1346.0	1396.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2653.0	2640.0	2650.0	2674.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	666.56	653.96	638.29	646.39	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	228.95	222.95	219.45	218.03	309.34 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	919.6	917.4	933.5	964.1	1329.9 (5/7)	910.0 (28/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	648.5	651.2	650.8	845.5 (13/7)	613.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	2891.11	2767.21	2768.09	2668.6	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	649.28	646.99	653.80	652.75	1143.78 (25/7)	613.98 (25/9)
WORLD						
M.S. Capital Intl.(1/1/70) (3)	464.8*	458.8	454.1	454.1	571.0 (4/1)	423.1 (28/9)

**Saturday October 13: Taiwan Weighted Price: 2655.85 Korea Comp Ex. [illegible]

♦ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks
Thursday 18 October 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	40m	470	+28
Sumitomo Mtl	29.9m	495	+30
I'jima-Hma	26.8m	788	+47
Marubeni	22.8m	718	+4
Kobe Steel	22.1m	549	+19
NKK	19.6m	457	+23
Sato Kogyo	19.4m	1,880	+200
M'bishi Hvy	19.2m	763	+14
Kawasaki Stl	14m	450	+20
Honshu Paper	12.6m	1,800	-250

4pm prices October 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	9½	AAR	.48	4.1	7	1522	11⅞	10¾	11⅝	+⅞
9⅝	7¾	ACM n	1.01	12.		291	8¼	8⅛	8¼	+⅛
11⅛	8¾	ACMIn	1.26	13.		853	9¾	9½	9⅝	+⅛
9¾	6½	ACM M n	1.01	14.		216	7⅛	7	7	−⅛
12⅛	10	ACMMM	1.50	13.		149	11⅝	11½	11⅝	+⅛
11½	8⅝	ACM Sc	1.26	13.		2667	9⅝	9⅜	9½	+⅛
9⅝	7⅛	ACMSp	1.01	13.		509	8	7¾	7⅞	
24⅝	14⅝	AL Lab	.16	.9	15	188	17½	17⅛	17½	+⅛
5¾	1⅛	AM Intl				280	1¼	d 1	1	−⅛
22¼	5⅛	AM In pf	2	36.		91	5¾	5½	5½	−¼
65⅛	39⅛	AMR			11	11517	48¼	46⅛	48¼	+2½
4⅛	2	ARX			7	106	2⅛	2⅛	2⅛	
72¼	38¼	ASA	3a	7.2		844	41⅞	40⅞	41⅞	+1⅛
45⅞	31	AbtLab	s.84	2.0	20	7587	42⅝	41	42⅝	+1⅝
14	11⅛	Abitibi g	.50			42	11⅝	11⅜	11⅜	−⅛
11⅝	4⅞	AcmeC	.40	8.2	6	151	5	4⅞	4⅞	
32¾	18⅛	Acuson s			22	2762	26⅛	25¼	26	
16⅞	14⅛	AdaEx	2.05e	14		142	15⅛	14¾	15	+⅛
15⅞	10	Adobe				9	10⅜	10⅜	10⅜	−¼
20¼	17½	Adob pf	1.84	10.		10	17⅝	17⅝	17⅝	+⅛
21⅝	19¾	Adob pf	2.40	12.		30	20⅞	20⅝	20¾	+¼
11⅜	3⅝	AMD				1772	4	3¾	4	+¼
32⅝	16	AMD pf	3	18.		7	17⅛	17	17	+⅛
9⅛	1¾	Advest	.16	7.1	26	178	2¼	2	2¼	+⅛
62½	29⅝	AetnLf	2.76	8.7	5	5678	31⅞	31	31¾	+¾
13¾	7½	AlfIPb	.24	3.1		177	7⅝	7½	7⅝	+⅛
23⅛	11⅞	Ahmans	.88	7.2	5	4099	12⅝	12	12¼	
3⅝	1⅞	Aileen			8	54	3¼	3⅛	3¼	
61	42⅞	AirPrd	1.44	3.1	12	599	47	44⅞	47	+2⅛
27	13½	AirFrt s	.30	2.0	8	904	15	14	14¾	+⅞
24½	11¼	Airgas			21	41	11⅝	11¼	11⅝	+⅜
20⅜	15⅝	Airlease	2.52	16.	8	50	15⅞	d15½	15¾	
10¼	9	AlaP dpf	.87	9.4		28	9¼	9¼	9¼	+⅛
98⅛	90	AlaP pf	9	9.6		z450	94	93½	93½	
28	13⅞	AlskAir	.20	1.1	9	1507	17½	16⅞	17½	+¾
20¼	8⅜	Albnyln	.35	3.8	6	231	9¼	8¾	9¼	+⅜
37⅞	19⅜	Alberto	s.20	.8	19	80	24½	23⅞	24⅛	−⅛
22¼	15⅛	AlCulA	s.20	1.2	14	46	17¼	16¾	17	
37⅝	24⅜	Albtsn s	.48	1.6	19	2657	30½	29	30⅛	+1⅛
24½	16½	Alcan	1.12	5.9	6	3114	19⅜	18¾	19⅛	+⅛
37⅞	27⅜	AlcoStd	.84	2.8	11	92	30⅝	30	30½	
34	16½	AlexAlx	1	5.7	16	194	17⅞	17½	17½	+⅛
59¾	23⅞	Alexdr				104	23½	d22¼	22⅞	−1
97	75¼	AllegCp	1.72t	2.3	7	1	76⅛	76⅛	76⅛	−⅛
34¼	18⅛	AlgLud	s.88	4.6	6	2316	19⅛	18⅞	19	−⅛
42½	34	AllgPw	3.16	8.7	10	685	36¼	36⅛	36½	+⅛
20	9	AllenG			9	85	10⅞	10½	10⅞	+⅛
21¼	11½	Allen pf	1.75	12		39	15	15	15	
19⅞	12¼	Alergn	.26e	2.0	19	372	13¼	12⅞	13¼	+⅜
17⅞	11½	AlnCap	1.70e	14.	15	147	12⅝	12¼	12½	−⅛
17	8⅝	AllGlE n				178	10⅜	10¼	10⅜	+⅛
12⅛	7⅛	AllNEu n				649	9¼	9⅛	9⅛	
18¼	10¼	AllTch n				18	12	11¾	12	+¼
28⅜	18⅜	Allsh pf	2.97	16.		176	21½	d18½	18⅝	−⅛
11⅞	3⅝	AlldPd			8	218	3⅞	3¾	3¾	−⅛
31⅞	25⅜	AldSgnl	1.80	7.0	8	1976	26	25⅜	25⅝	+⅛
10⅜	9¼	AMIT	.76a	8.0		312	9⅝	9¼	9¼	−⅛
10⅛	8⅞	AMIT2	n.73e	7.8		712	9⅜	9¼	9⅜	+⅛
10	8⅜	AMIT3	n.64	7.3		184	8¾	8½	8¾	+⅛
11⅛	8⅝	AMIO	.84e	8.6		194	9⅞	9¾	9¾	
10⅜	8⅜	AMIO2	.72	7.9		496	9⅛	9	9⅛	+⅛

Continued on Page 47

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
[illegible]										

– X – Y – Z –

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
49½	29⅝	Xerox	3	9.4	8	1809	31⅛	29⅝	31⅛	+1
47⅞	45	Xerox pf				10	46½	45	46½	+1½
49	45	Xerox pf4.12		9.3		10	45	d44½	44½	−½
32⅝	13⅝	XTRA	.72	5.1		126	14⅛	13⅝	14⅛	+⅛
25⅝	13⅝	XTRA pf1.94		14.		65	13½	13⅜	13½	+⅛
4	1	Zapata				373	1⅛	1	1	
14⅛	4⅛	ZenithE				1280	4⅛	d 4⅛	4⅛	−⅛
19⅝	10⅛	ZenNt	.90	8.8	9	15	10⅛	10⅛	10⅛	
8⅛	4⅛	Zenix	.88	20.		1286	4⅛	4⅛	4⅛	
17⅞	9⅝	Zero	.40	3.9	16	73	10⅛	10⅛	10⅛	+⅛
61⅞	29⅝	Zurnin	.76	2.3	14	454	33⅛	30⅝	33⅛	+3⅛
12⅝	10⅛	Zweig	1.18e	11.		391	10½	10⅛	10½	+⅛
10	7⅞	ZweigTl	.94	10.		2219	8⅛	8	8⅛	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices October 18

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices October 18

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

– X – Y – Z –

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
XL Dta		6	11	7¼	7⅛	7¼	+⅛
XOMA			1093	17½	16¾	17¼	+¼
Xilinx			912	11½	11	11	
YanEnS	1.52	15	396	19	18½	18½	−½
YelowF	.82	40	913	20½	19⅝	20	+⅝
YorkRs		10	560	8¼	7½	8¼	+⅝
Zeus		16	19	13⅛	13	13	−⅛
ZionBc	1.44	7	12	25½	25	25	

AMERICA

Dow advances on firm bonds and profit-taking

Wall Street

PROFIT-TAKING combined with relief that corporate results have not been as bad as anticipated helped US equities maintain their rally yesterday afternoon in spite of higher oil prices, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average was 64.85 higher at 2,452.72 on heavy volume of 204.1m shares. The rally was broadly based, with advancing issues leading declining by 1,114 to 441 and the Standard&Poor's 500 index rising 6.98 to 305.74. On Wednesday, *the Dow added 6.68 to 2387.87.*

Stocks benefited from firmness in the bond market, where the treasury's benchmark 30-year bond had climbed $\frac{3}{32}$ at mid-session to yield 8.8 per cent, before falling back as oil prices recovered to end the day up $\frac{12}{32}$, yielding 8.82 per cent.

The bond market took some of its strength from September's consumer price index, which rose 0.8 per cent, somewhat less than the 0.9 per cent the market had expected.

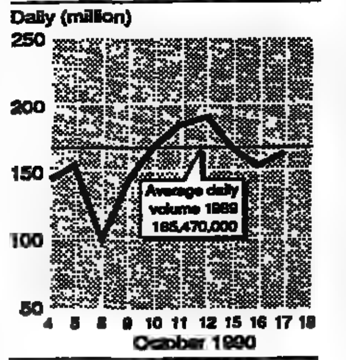
Both the stock and bond markets were bolstered in the morning by plunging oil prices. November crude oil was quoted more than $2 a barrel lower at mid-session before settling up 8 cents at $36.80 on reports of shootings in Israel.

Blue chip issues were actively traded yesterday morning. Philip Morris rose $1⅞ to $46⅞ and IBM climbed $4⅝ to $105⅛.

Citicorp moved $¼ higher to $13⅛ after hitting a 52-week low on Wednesday.

Student Loan Marketing Association (Sallie Mae) gained $1⅞ to $37⅞ after dropping about $9 in the previous two days of trading. Officials are looking into allegations that one of the association's offices inflated assets and bolstered the company's stock price by buying worthless loans.

NYSE volume



PepsiCo, which fell $1⅛ Wednesday on reports that its stock rating had been downgraded, added $1¼ to $24.

Baxter International rose $1 to $26⅛ in heavy trading after turning in a 35 per cent jump in third quarter earnings per share to 46 cents.

Schlumberger gained $¼ to $55½ on third quarter net income of 62 cents against 48 cents the previous year.

Mattel improved $⅞ to $17⅞ after reporting third quarter 73 earnings of 95 cents a share from 76 cents.

In the secondary market, the NASDAQ composite jumped 7.25 to 334.03 with technology issues pacing trading.

Apple Computer gained $2 to $28½, Quantum added $1¼ to $15¾ and Conner Peripherals climbed $2¼ to $19⅞.

However, MCI Communications declined, falling $1⅞ to $27⅞ after losing $1⅛ a day earlier.

Canada

TORONTO share prices closed sharply higher in moderate trading. The composite index rose 36.64 to 3,060.02 with gainers outnumbering losers 315 to 248.

Volume of 60.4m shares was inflated by 42.5m Canadian Express shares. Hees International said its offer for up to 40m Canadian Express shares was oversubscribed.

Among mining issues, Alcan was up C$⅜ to C$22¼, Inco rose $⅞ to C$27⅞ and Cominco was up C$⅛ to C$19⅞.

Rothmans rose C$7⅞ to C$60⅞.

EUROPE

Fall in oil price promotes more confident outlook

MICHELIN plunged in active trading yesterday, but the French market achieved a healthy 2 per cent rise overall. Most bourses ended higher, encouraged by lower oil prices and a strong Wall Street, *writes Our Markets Staff.*

PARIS saw 9.1 per cent wiped off Michelin's share price, after the tyremaker predicted a far worse-than-expected loss, and 2.6 per cent knocked off Cie du Midi's shares after the news that the holding company would merge with Axa-Midi, its insurance subsidiary.

Overall, the market looked much more robust than in recent weeks, encouraged by Wall Street's strength in early trading and optimism over the Gulf situation. The CAC 40 index gained 31.67 or 2 per cent to 1,647.67 in turnover estimated at FFr2.3bn.

Selling of Michelin was so heavy that the shares were suspended briefly, before closing at FFr68, down FFr6.80. Volume was very large at 1.1m shares. The company had risen 16.7 per cent earlier in the week on rumours of a new tyre product or a change in voting structure. Instead, the tyremaker forecast a loss of more than FFr2.3bn this year, compared with market estimates of about FFr700m.

Cie du Midi recovered from a session low of FFr840 to end at FFr889, down FFr24, with 88,055 shares exchanged. It said that it would offer one share for every four Axa-Midi Assurances shares – terms described by one analyst as not very generous. He added, however, that Midi's partial recovery suggested that the market viewed the move as beneficial for the holding company. Axa is due to be requoted today after its suspension on Wednesday.

Elsewhere, Dassault Electronique, the defence group, fell another FFr42 to FFr204 after the previous day's news that it would barely break even this year.

Saint-Gobain, the glassmaker, gained FFr15.60 to FFr407.50 on 274,326 shares, amid continued rumours of a link-up with Générale des Eaux. Rémy et Associés rose another FFr24 to FFr280 after Wednesday's news of a complex cross-holding deal between Highland Distilleries and Rémy Cointreau.

FRANKFURT recovered as Gulf worries receded and the market took encouragement from oil-price news. The DAX index rose 29.28 to 1,470.07, the FAZ gained 11.33 to 629.29 and turnover grew to DM4.4bn from DM3.1bn. Analysts said the underlying equity market was led by the futures market and foreign buying.

A mid-morning announcement that Iraq was prepared to sell oil at $21 a barrel gave an early impetus and boosted automotive stocks, which had slumped badly. Porsche was up DM30 at DM730, Daimler rose DM12.50 to DM616.50 and BMW climbed DM16 to DM431.

For the same reason Lufthansa hardened DM7 to DM115.

Karstadt, the retailer, was also strong as the impact of a positive newspaper interview with the chairman came through to the market. It jumped DM19.40 to DM649.40.

STOCKHOLM dropped nearly 3 per cent at the start of trading in response to the central bank's decision to raise its funding rate from 14 per cent to 17 per cent. But prices recovered towards the close on rumours, confirmed later, that the government also planned to tighten fiscal policy.

Mr Peter Karlsson of Enskilda Securities said foreigners were likely to maintain a limited exposure to the Swedish market for the time being. The Affärsvärlden General index closed 2.2 higher at 919.6.

Saab free B shares fell SKr5 to SKr160 after the company reported eight-month net profits at the low end of market expectations.

ZURICH took the announcement about embargoed Iraqi oil to heart and appeared to ignore the one worrying piece of news – nine-month figures from Roche. The Crédit Suisse index closed up 7.7 at 503.5.

Strategists said a 2 per cent rise in Roche's turnover to SFr7.49bn was below expectations and possibly reflected a slowdown in the growth of sales of the company's leading anti-biotic, Rocephin. The shares were affected briefly when the figures were *released, but proceeded to rally* on heavy trading and close up SFr50 at SFr6,640.

AMSTERDAM followed Frankfurt higher, and was also helped by a firm opening on Wall Street. Volume was modest and was expected to remain so before the crop of third quarter results due in the next few weeks. The CBS Tendency index gained 1.8 to 97.4.

Fokker, the aerospace group, rose Fl 3.10 to Fl 37.90 on reports of one big buy order, while Nedlloyd, the troubled transport group, put on Fl 1.70 to Fl 42.50 as old takeover rumours were revived.

MILAN was brought to a standstill by a one-day strike by floor traders protesting against the government's delay in approving market reform legislation. Stocks were called in the normal order but no trading took place and Wednesday's closing prices were assigned.

MADRID enjoyed a strong day, with the general index gaining 6.00 or 2.7 per cent to 228.95.

Venezuela and India keep a grip on gains

Jacqueline Moore examines the performance of emerging markets during September

A SECOND month of uncertainty in the Gulf weighed heavily on most emerging markets in September, with only Venezuela and India holding firmly to an upwards path.

Asia's markets were the hardest hit, with Thailand, the Philippines and Taiwan recording the biggest falls on the month in dollar terms, according to the International Finance Corporation, part of the World Bank based in Washington, D.C. Oil price rises frightened away investors in all three markets. The Thai government raised domestic oil prices for the first time in two years.

In Manila, a strike in response to the petrofuel increases, together with continued fears of a coup attempt, troubled the market. "Political tensions due to another series of bombings, and the verdict [at the end of the month] that a number of military personnel were guilty of murdering former Senator Benigno Aquino shook the market," says Hoare Govett, the UK brokers. A military revolt, which finally came in early October, was soon quashed.

Another fall last month in Taiwan took the market's decline this year to 70.4 per cent in dollar terms. This prompted the government to take action to announce plans to allow foreigners to invest directly in the market, and order the domestic labour pension fund to place up to 20 per cent of its assets in equities.

Europe also had a disappointing four weeks, with Greece, Portugal and Turkey all retreating. The Greek decline was partly due to strikes by public sector employees, which closed the banks and the bourse. "The decision against Athens for the 1996 Olympics was also a massive disappointment," says Corporate Broking Services, an emerging markets specialist.

Latin America was more mixed. Venezuela, as an oil exporter, continued to be one of the few beneficiaries of the Middle East crisis. It followed its 57 per cent surge in dollar terms in August with a rise of 16 per cent last month, extending its rise in dollar terms this year to 327 per cent – the best performance in the world.

Argentina also registered a healthy gain of 10.2 per cent in dollar terms, but ended slightly lower on the local currency index. "President Menem's efforts to reduce the massive fiscal deficit, combined with the adoption of free market policies and a huge privatisation programme, should bring monthly inflation down to single digits by the end of this year," says Corporate Broking Services. "These measures will revive investment in the stock market."

Elsewhere in Latin America, Brazil and Mexico had a weak month. Brazil continued to suffer from concern over the inflationary impact of the Gulf situation, as well as the tight monetary policy in the domestic market and further devaluation in the cruzado, according to Corporate Broking Services.

In Mexico, the benefits of higher oil prices prevented sharper losses, but investors were worried about the possibility of recession in the US, which would hurt Mexican exporters.

Meanwhile, the Indian rally, which began in mid-June, kept its momentum, with some companies expected to benefit from the higher oil prices.

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	Sept. 29 1990	% Change over 4 weeks (Dollar terms)	% Change on Dec '89	Sept. 29 1990	% Change over 4 weeks (Local currency terms)	% Change on Dec '89
Latin America							
Argentina	(24)	290.23	+10.2	−30.8	9,128,038	−1.2	+168.5
Brazil	(56)	59.69	−17.2	−51.8	1,484,510	−3.1	+246.6
Chile	(28)	659.90	−1.4	+6.6	1,568.24	−0.7	+11.4
Colombia	(20)	271.18	−6.4	+19.0	1,247.69	−2.9	+47.4
Mexico	(54)	629.44	−9.0	+7.9	9,414.43	−8.7	+16.3
Venezuela	(13)	321.45	+16.0	+326.9	2,014.45	+15.8	+361.3
East Asia							
Korea	(63)	296.31	−0.2	−36.0	256.19	−0.2	−32.4
Philippines	(29)	861.05	−27.2	−55.3	1,080.67	−25.2	−49.1
Taiwan, China	(64)	390.98	−25.8	−70.4	265.42	−26.0	−69.5
South Asia							
India	(60)	318.42	+4.3	+55.9	459.32	+8.3	+66.2
Malaysia	(62)	119.20	−16.6	−21.6	132.61	−16.2	−21.6
Thailand	(34)	282.80	−27.4	−29.3	263.03	−28.0	−30.3
Europe/Middle East							
Greece	(26)	640.36	−14.9	+127.4	768.80	−15.9	+124.4
Jordan	(25)	87.21	+0.2	−5.8	149.39	−1.5	−4.6
Portugal†	(27)	496.65	−13.2	−27.1	444.81	−11.6	−32.2
Turkey‡	(18)	337.92	−12.3	+39.2	1,209.46	−10.7	+64.7

Source: International Finance Corporation. Base date: Dec 31,1984. †Jan 1986=100. ‡Dec 1986=100.

ASIA PACIFIC

Nikkei breaches 24,000 on improved volume

Tokyo

EQUITIES advanced in brisk trading yesterday, with the Nikkei average closing above *24,000 for the first time in a* month. Investors, encouraged by the strong yen and rising bond prices, bought heavily in almost all sectors, *writes Martina Gannon in Tokyo.*

The Nikkei ended at the day's high of 24,367.08, up 507.72 or 2.1 per cent – its first close above 24,000 since September 17. The day's low was 23,763.36.

Turnover improved to 700m shares from 600m. A slight lull in trading mid-morning, caused by concern at the sharp pace of the advance in stock prices, was overridden later by renewed enthusiasm for the strong currency.

Rises led falls by 719 to 277 and 116 issues were unchanged. The Topix index of all listed stocks rose 30.19 to 1,783.53, and the second section also advanced. In London trading, the ISE/Nikkei 50 index lost 3.23 to 1,380.46.

Index-linked buying accounted for much of the morning's gain and institutional investors were also strong buyers. Financials were sought, with Bank of Tokyo adding Y104 to Y1,060, Mitsui Taiyo Kobe Bank rising Y120 to Y1,470 and Daiwa Securities gaining Y60 to Y1,080. Sumitomo Bank, weak recently after the arrest of a former branch manager on allegations of illegal loan dealing, rose Y30 to Y1,680.

Domestic demand-related shares, from shipbuildings and constructions to railways, rose. Chemicals and steels were also strong. Mitsubishi Kasei gained Y19 to Y564 and Nippon Steel, the day's most active issue by a long measure, rose Y28 to Y470.

High technology shares, suffering under the strong yen because of their heavy dependence on exports, fell sharply. TDK lost Y280 to Y4,950, Sony *was off Y230 at Y6,450 and Pio*neer Electronic fell Y170 to Y4,230.

Pharmaceutical and motor issues were mixed, with Green Cross rising Y50 to Y1,250 and Dainippon Pharmaceutical adding Y50 at Y2,070, but Yamanouchi Pharmaceutical losing Y40 to Y2,620. Toyota Motor dipped Y40 to Y1,670, while Nissan Motor added Y10 at Y800.

In Osaka, the OSE index added 249.32 to 27,326.11 on improved volume of 57.6m shares compared with Wednesday's 42.6m. Mirroring stock movements in Tokyo, shipbuildings, railways and steels advanced, and constructions and textiles held firm.

Roundup

CURRENCY *differentials*, a lack of bad news from the Gulf and easier oil prices assisted small rises in the Pacific Rim.

NEW ZEALAND rose as a weak domestic dollar prompted some rare overseas buying.

Brokers were cautious about whether the advance would continue, after the central *bank raised interest rates to* support the currency.

The Barclays index closed 41.57 or 3 per cent higher at 1,413.93, its biggest daily gain since the end of August. Turnover climbed to NZ$17.6m from NZ$12.2m.

AUSTRALIA was boosted by a weakening Australian dollar. The All Ordinaries index rose 13.4 to 1,355.2, its third consecutive gain. Turnover rose to A$218.2m from A$176.37m.

Bank stocks gained on hopes that *Monday's interest rate cut* would alleviate bad debts and pressure on customers from a slowing in the economy.

TAIWAN rose sharply on news that the government would allow brokers to use their capital to buy stocks in an effort to boost the market.

The weighted index rallied *123.9 or 4.5 per cent to 2,891.11.* Volume rose to T$26.17bn from T$20.99bn.

SEOUL rose sharply on heavy buying by individuals. The composite index closed at 667.20, up 12.60 or 1.9 per cent, on volume of Won256.7bn.

HONG KONG's Hang Seng index shed 8.02 to 2,950.52, after spending the session drifting around the key 2,950 level. Turnover slipped to HK$797m from HK$884m.

SINGAPORE rose on bargain-hunting after Wednesday's holiday. The Straits Times Industrial index climbed 80 to 1,111.53. Turnover slipped S$51m from S$53m.

KUALA LUMPUR closed firmer after Wednesday's holiday, assisted by small gains in Tokyo and New York. The composite index rose 1.55 to *469.44.*

MANILA finished mixed in slow trading. The oil sector was pushed higher on late news of a drilling project in the southern Philippines. The composite index shed 3.67 to 537.25 on volume of 44.5m pesos, down from 60.9m pesos.

SOUTH AFRICA

GOLD SHARES in the Johannesburg market gave up most of their morning gains yesterday as bullion prices fell back in the afternoon. The all-gold index closed at 1,363, up 5, but well off an early high of 1,378. Trading was light.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 18 1990								WEDNESDAY OCTOBER 17 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (78)	123.82	+0.1	93.95	97.76	97.24	106.65	+1.1	7.26	123.70	93.33	97.90	97.18	105.68	150.31	123.48	148.75
Austria (19)	201.80	+2.3	153.12	159.33	158.46	158.55	+2.5	1.72	197.31	148.87	156.16	155.00	154.66	265.63	178.57	163.64
Belgium (61)	135.33	+0.1	102.68	106.84	106.27	103.79	+0.1	5.58	135.18	102.00	106.98	106.19	103.68	160.02	126.67	141.94
Canada (120)	121.52	+0.2	92.20	95.93	95.42	103.45	+1.2	3.86	121.24	91.48	95.95	95.24	102.24	153.61	121.24	151.30
Denmark (33)	254.36	+0.0	193.00	200.83	199.75	199.44	+0.1	1.49	254.45	191.99	201.38	199.89	199.17	277.62	234.05	205.34
Finland (26)	102.28	−0.1	77.60	80.76	80.32	76.75	+0.1	3.57	102.33	77.21	80.99	80.39	76.70	152.29	100.75	124.97
France (123)	141.14	+1.6	107.09	111.42	110.83	112.06	+1.6	3.67	138.89	104.79	109.91	109.10	110.29	168.85	124.90	135.73
Germany (91)	116.08	+1.8	88.07	91.65	91.15	91.15	+1.8	2.47	114.02	86.03	90.25	89.57	89.57	144.65	101.38	98.16
Hong Kong (48)	119.58	−0.2	90.73	94.41	93.91	118.40	−0.1	5.53	119.82	90.40	94.82	94.13	119.54	147.49	112.24	112.26
Ireland (17)	157.01	+0.1	119.13	123.96	123.30	124.81	+0.5	4.19	156.83	118.33	124.12	123.20	124.19	198.57	139.04	162.70
Italy (91)	83.62	−0.1	63.44	66.01	65.66	70.75	+0.0	3.45	83.73	63.17	66.26	65.77	70.76	109.26	80.87	86.71
Japan (454)	137.79	+2.0	104.55	108.79	108.22	108.79	+1.8	0.78	135.05	101.89	106.88	106.10	106.88	197.26	108.50	185.61
Malaysia (35)	186.69	+0.3	141.65	147.39	146.60	193.70	+0.2	3.17	186.04	140.37	147.23	146.14	193.24	250.89	182.96	196.66
Mexico (13)	520.92	+0.2	395.25	411.28	409.08	1661.95	+0.3	0.41	519.95	392.30	411.46	408.45	1657.70	561.41	324.53	308.11
Netherland (41)	134.78	+0.7	102.26	106.41	105.85	104.73	+0.7	5.46	133.82	100.97	105.91	105.13	103.99	149.03	127.56	129.57
New Zealand (16)	52.74	+3.0	40.02	41.64	41.42	46.59	+3.1	7.23	51.18	38.62	40.51	40.21	45.19	75.36	50.73	78.90
Norway (27)	234.69	−0.5	178.07	185.29	184.30	186.98	−0.1	1.65	235.83	177.93	186.64	185.26	187.25	276.79	202.34	177.68
Singapore (25)	153.16	+1.5	116.23	120.95	120.30	120.37	+0.8	3.55	150.92	113.87	119.44	118.55	119.38	209.24	147.24	159.56
South Africa (60)	156.27	+1.0	118.57	123.38	122.72	128.66	−0.2	4.45	154.80	116.80	122.51	121.60	128.90	251.39	151.50	145.82
Spain (42)	145.35	+2.5	110.28	114.76	114.14	104.33	+2.7	5.32	141.74	106.94	112.18	111.34	101.58	182.25	128.54	159.55
Sweden (27)	171.00	+0.2	129.75	135.01	134.29	142.14	+0.4	2.86	170.59	128.71	135.01	134.01	141.55	234.93	158.07	180.66
Switzerland (67)	93.89	+1.8	71.24	74.13	73.74	74.13	+1.9	2.89	92.20	69.57	72.97	72.44	72.74	109.77	85.00	89.44
United Kingdom (300)	162.94	+0.1	123.63	128.65	127.94	123.63	+0.7	5.83	162.71	122.76	128.76	127.81	122.76	176.16	139.87	142.64
USA (533)	123.20	+2.3	93.48	97.28	96.76	123.20	+2.3	3.98	120.39	90.83	95.28	94.57	120.39	148.95	119.06	141.02
Europe (965)	137.25	+0.8	104.14	108.36	107.79	106.11	+1.1	4.40	136.15	102.73	107.76	106.96	104.99	157.65	124.91	125.92
Nordic (113)	182.62	+0.0	138.56	144.18	143.41	141.47	+0.2	2.13	182.60	137.77	144.51	143.46	141.18	223.29	172.38	168.48
Pacific Basin (656)	136.29	+1.9	103.41	107.61	107.03	108.76	+1.7	1.15	133.74	100.91	105.84	105.06	106.95	192.75	107.82	181.41
Euro – Pacific (1621)	137.06	+1.5	103.99	108.19	107.62	108.44	+1.5	2.48	135.06	101.92	106.90	106.11	106.89	174.16	116.03	153.31
North America (653)	123.02	+2.2	93.34	97.12	96.62	121.92	+2.3	3.97	120.35	90.81	95.26	94.56	119.21	148.45	119.26	141.53
Europe Ex. UK (665)	121.10	+1.3	91.89	95.63	95.12	95.65	+1.3	3.51	119.56	90.21	94.64	93.94	94.09	145.62	109.94	114.69
Pacific Ex. Japan (202)	117.89	+0.3	89.45	93.09	92.59	105.11	+0.7	6.24	117.59	88.72	93.07	92.38	104.33	146.72	117.06	130.98
World Ex. US (1814)	136.94	+1.4	103.90	108.12	107.54	108.89	+1.4	2.54	135.03	101.88	106.87	106.08	107.36	173.77	117.12	152.99
World Ex. UK (2047)	128.03	+1.9	97.14	101.09	100.55	112.40	+1.8	2.67	125.63	94.79	99.43	98.70	110.36	162.00	115.37	152.40
World Ex. So. Af. (2287)	130.98	+1.7	99.38	103.42	102.86	113.39	+1.7	2.99	128.77	97.16	101.92	101.16	111.46	161.84	118.04	151.54
World Ex. Japan (1893)	128.96	+1.5	97.85	101.85	101.29	115.87	+1.7	4.24	127.02	95.84	100.53	99.80	113.96	151.59	124.31	135.43
The World Index (2347)	131.13	+1.7	99.49	103.53	102.98	113.50	+1.7	3.00	128.92	97.27	102.03	101.28	111.59	162.05	118.33	151.50

Constituent change 18/10/90: Deletion: Elektrisk Bureau (Norway).Italian prices were unavailable 18/10.

هكذا صدر الأصل

RECRUITMENT

JOBS: Durham heads graduate-employment league

How universities fared

SAY NOT the struggle naught availeth, advised the poet A.H. Clough. And as far as the table over to the right is concerned, he spoke true. Before telling why, however, I had better explain what the table does.

It ranks the United Kingdom's state-financed campus universities by what might be described as the employability of their new bachelor-level graduates. But the basis of the ranking is not the degree-winners' positive success in getting a desirable job.

To use that as a measure would be misleading because a quarter of them do not look for paid work, in most cases preferring to continue their academic studies or go into full-time training. It is only if they fail to find a place that they enter the employment stakes alongside their contemporaries who start seeking a worthwhile job from scratch.

Even when the economy is buoyant, however, not all of the seekers find. At the end of the year when they graduated, some are in only a short-term job – defined as one expected to last at most three months – or flatly unemployed.

Those two categories form the basis of the ranking. In essence, the better a university is at keeping its degree-winners out of them, the higher in the table it stands.

Believe it or not, the first seven columns after the institutions' names are fairly straightforward. They all refer to the latest crop of graduates on whom statistics are available – those domiciled in the UK who completed their course in the summer of 1989.

The first gives each university's total output of UK bachelor-level people. The next shows the percentages of them whose whereabouts could not be traced on December 31, some six months after they won their degree. The third gives the number whose doings were known.

Then come four columns which divide those of known whereabouts into four different groups, starting with the percentages who obtained longer-term jobs. Next we have the shares who continued their studies or undertook full-time training, followed by the proportions who for some reason were neither studying, training nor available for paid work. They do not include people who were on an organisation's payroll while they were studying, and returned to work for it after finishing their course. The last of the four columns shows the straightforward percentages of the 1989 outputs who were either unemployed or in at best a short-term job.

Now when I printed the table on previous occasions, I ranked the universities simply on those straightforward one-year figures. And it is that which brings me back to the poet's wisecrack to the effect that the struggle sometimes comes to something.

For the upshot of the simple ranking was an annual flood of complaints that it was unfair. The protesters said graduates in some subjects such as engineering are inevitably more employable than their counterparts in others. So the ranking discriminated in favour of institutions with a high proportion of engineering and the like in their mix of subjects, and against those with a leaning to the arts.

A lesser complaint was that, as demand for graduates in different places fluctuates in the short term, a single year's figures were a shaky measure of performance.

The second point could have been easily met by basing the ranking on averages across several years. But the problem of variances in subject mix was a knotty one. I would happily have adjusted for them if I could have found out the percentages of each institution's graduates in different subjects.

By finding the all-universities average short-term and jobless rate for the separate subjects, I could give each university a "target" figure for its particular mix. The extent to which the actual figure was better or worse than the target would have been the basis of the ranking.

Unfortunately, the necessary information was deemed unsuitable for public consumption and, try as I might, I couldn't get hold of it.

At last, however, the blockage has been cleared. So the last three columns of today's table show the subject-adjusted scores over the three years 1987 to 1989.

First come the target numbers of students in the short-term and unemployed categories, followed by the actual numbers thereof. The percentage difference between each university's target and actual decides where it stands in the league.

Michael Dixon

UNIVERSITY	Total of new UK graduates produced in 1989	% not traced as at 31/12	No. whose activity was known at 31/12	% of known-activity graduates in: Long-term jobs	Further study or training	Not seeking post	Short-term work or jobless 1989	Adjusted scores 1987-1989: "Target" number short or jobless	Actual number short or jobless	% Difference + better – worse
Durham	1,236	13.5	1,043	59.7	27.6	6.3	6.3	395.6	187	+52.7
Brunel	573	5.8	540	78.7	14.3	2.4	4.6	129.1	71	+45.0
St Andrews	655	5.3	620	56.6	30.8	7.1	5.5	218.3	144	+34.0
Hull	1,241	9.0	1,129	59.9	26.7	6.2	7.2	365.1	245	+32.9
Lancaster	1,182	21.1	933	59.8	24.3	9.2	6.7	302.6	205	+32.3
Reading	1,228	8.3	1,126	62.8	19.4	11.7	6.1	345.0	239	+30.7
Kent	886	13.3	768	64.1	25.9	3.0	7.0	254.5	178	+30.1
Bath	729	6.3	683	76.0	14.8	4.4	4.8	167.1	118	+29.4
Oxford	2,577	8.2	2,366	52.2	32.7	7.1	8.0	739.7	544	+26.5
Aberdeen	1,016	6.0	955	56.1	33.2	4.0	6.7	286.8	215	+25.0
City	584	5.5	552	84.9	8.0	3.8	3.3	91.8	71	+22.5
Salford	769	10.0	692	79.9	14.5	0.1	5.5	175.3	146	+16.7
York	921	6.1	865	58.4	26.6	7.1	8.0	302.2	252	+16.6
Leicester	1,052	8.2	966	48.7	37.0	4.1	10.2	320.9	276	+14.0
Surrey	536	6.5	502	77.1	12.9	6.2	3.8	118.6	103	+13.2
Southampton	1,482	13.2	1,287	58.2	23.9	9.4	8.5	309.6	272	+12.1
Essex	626	11.0	557	55.5	27.3	7.7	9.5	176.3	156	+11.5
Cambridge	2,749	12.1	2,417	52.0	33.5	6.1	8.4	675.1	597	+11.6
Glasgow	2,211	3.2	2,141	60.2	29.8	2.6	7.4	563.2	504	+10.5
Aston	840	9.2	763	84.3	5.6	3.7	6.4	136.0	122	+10.3
Newcastle	1,709	4.9	1,625	63.4	19.8	9.0	7.8	401.9	361	+10.2
Dundee	648	4.8	617	57.8	33.7	4.4	4.1	113.4	105	+ 7.4
Heriot-Watt	759	43.9	426	76.1	14.6	2.3	7.0	124.9	117	+ 6.3
Queen's, Belfast	1,848	4.6	1,763	55.1	34.1	1.6	9.0	430.2	403	+ 6.3
Exeter	1,238	2.8	1,203	60.3	22.9	11.1	5.7	364.4	343	+ 5.9
Birmingham	2,056	18.4	1,679	59.6	21.7	9.6	9.1	427.4	406	+ 5.0
Bristol	1,694	4.4	1,620	58.2	24.8	8.5	8.5	431.4	418	+ 3.1
Strathclyde	1,349	7.2	1,252	71.0	21.0	2.4	5.6	281.4	277	+ 1.6
Leeds	2,237	4.5	2,136	63.3	21.4	6.7	8.6	590.5	632	– 7.0
Edinburgh	2,042	9.3	1,852	58.2	27.4	5.8	8.6	461.1	495	– 7.4
Bradford	934	4.6	891	75.6	11.8	2.9	9.7	246.5	276	–12.0
Wales	4,547	4.8	4,328	54.1	29.1	6.2	10.6	1,312.1	1,475	–12.4
London	7,594	30.0	5,313	63.6	23.0	5.1	8.3	1,421.9	1,624	–14.2
East Anglia	1,016	6.1	936	58.6	24.4	6.6	10.0	317.7	363	–14.3
Warwick	1,450	8.3	1,330	59.6	19.7	7.5	13.2	404.9	474	–17.1
Keele	565	8.5	517	45.6	31.3	4.1	19.0	194.4	228	–17.3
Stirling	590	5.1	560	64.6	18.0	5.0	12.3	178.2	210	–17.8
Loughborough	1,204	2.8	1,170	68.5	13.2	8.3	10.0	288.2	340	–18.0
Nottingham	1,577	7.5	1,459	60.1	21.5	7.2	11.2	393.1	471	–19.8
Manchester	2,526	8.8	2,304	62.2	21.0	6.1	10.7	629.7	763	–21.2
UMIST	792	8.3	726	74.3	15.7	4.5	5.5	142.5	176	–23.5
Sussex	868	4.8	826	49.3	20.2	10.0	20.5	287.0	357	–24.4
Ulster	1,625	1.3	1,604	65.0	18.1	4.1	12.8	494.8	665	–34.4
Sheffield	1,843	7.5	1,704	60.7	23.2	4.9	11.2	456.5	617	–35.2
Liverpool	1,702	7.9	1,567	58.6	23.4	3.8	14.2	438.1	664	–51.6
OVERALL	67,570	10.7	60,313	61.0	24.1	6.0	8.9	18,905.0	18,905	–

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ACCOUNTANCY COLUMN

Survey examines need for special standards

By Pratap Chatterjee

THE INTERNATIONAL Accounting Standards Committee (IASC) will later this year send out a questionnaire to its developing-country members, asking them if they have special reporting needs that they feel have not been addressed by the committee.

The IASC has been under pressure from several of its member countries to recognise that countries with diverse national economic systems and policies may need special accounting standards.

Many countries use IASC standards because they do not have the resources to develop their own or because their own standards are based on colonial systems that are now badly out of date. For example Namibia, which recently became independent, has asked the Institute of Certified Public Accountants of Kenya to help it set up a national accounting institute from scratch using international accounting standards.

But many members have had to turn to the IASC for help in implementing specific IASC standards because of conflicts with national law. Some developing countries say the standards do not adequately reflect their economic circumstances.

A letter from the Institute of Chartered Accountants of Zimbabwe to the IASC, reflects some of these concerns. It says: "Globalisation of capital markets appears to be the driving force behind proposed changes . . . It presupposes the existence of a free-market economy."

The IASC has responded to the requests for special consideration by drawing up standards to address some of the more pressing problems in standards such as IAS 29, Financial Reporting in Hyperinflationary Economies, which was designed specifically with certain Latin American countries in mind.

More recently, it has launched a survey of developing countries – which comprise two-thirds of its membership – to see if they really do need special treatment and if so, what these special areas might be.

One aspect of the survey will be the various processes of drafting national standards. The IASC hopes to identify methods that can be used more widely. Most of the countries ask local business communities to study IASC guidelines and decide if they are fully relevant to existing conditions.

Ms Joyce Mwangi, executive secretary of the Kenyan institute said: "We don't ape western standards but we do realise that standards that are internationally accepted must have some value for us and therefore we use them as a starting point."

Mr David Cairns, secretary-general of the IASC, said that neither he nor the board of the IASC believed that developing countries needed special accounting standards.

He pointed out that many developing countries, such as Singapore, had adopted IASC standards in their entirety. He said: "Even the standards that were developed on request from the developing countries were generally applicable to developed countries too and we have discovered that countries like Tanzania, which evolved their own standards, actually conform with almost two-thirds of our standards."

Certainly there is an increasing demand to use international standards. For example South Korean companies, anxious for international investors to take an interest in them, have been making efforts to comply with international and US standards.

Dr D.H. Kim, president of the Korean Institute of Certified Public Accountants, said South Korean accounting standards, which had been given a complete overhaul over the past year, were now on par with international standards.

Mr James Siegfried, Coopers & Lybrand's international representative at its firm in Seoul, Samil Accounting, said that not all these

Report will almost certainly recommend allowing some national alternatives

standards were required to be implemented immediately but many Korean firms were already voluntarily asking for help in preparing financial statements under US Generally Accepted Accounting Principles (GAAP), in preparation for the market liberalisation.

While South Korean companies and their economic policies are largely modelled after their Japanese and US equivalents, this is certainly not true in other developing countries.

For instance, if Engines Limited, a company in Malawi, decides to buy parts from Widgets Incorporated, a New York company, which it then uses to make product AB.

The cost of the parts is $100, which Engines has to buy from the Malawi government. Because US dollars are scarce in Malawi, it has to wait for some time, during which it loses interest on the money it deposited with the government. Then it has to pay more to buy the dollars when they become available because in the meantime the Malawi kwacha has been devalued.

Engines issues its annual statement just after receiving the widgets, saying it expects to pay out the equivalent of $100 in Malawi kwacha. In its next statement it therefore has to record a foreign exchange loss. Now while Engines could have forecast the event, it could not have predicted the precise loss.

If Engines was based in London, it would probably not have faced this problem, because US dollars are readily available. Likewise Engines could have hedged its exposure to the foreign exchange fluctuation. However, these options are not normally available in developing countries.

While this scenario is fictional, it corresponds closely to problems faced by companies in Malawi. The Society of Accountants in Malawi, which normally follows the IASC rules, did has issued a special standard to take care of the problem.

Now if Machines, a competitor of Engines based in Niger, whose currency is based on a fixed exchange rate of CFA50 to the French franc, lost no money on a similar purchase – apart from the fluctuation of the French franc against the US dollar – then Machines has to devalue the price of its goods to make it competitive with Engines' products which are priced in devalued Malawi kwacha.

For the international investor or analyst who wants to compare Engines or Machines with their counterparts in the UK or the US, the financial statements are not likely to reflect the true economic position or future of the companies because of their different national circumstances.

According to Mr Cairns, the biggest obstacle to using a single set of international standards is differing national tax laws.

Mr Robin Cahill, a partner in KPMG Peat Marwick's Nairobi office, said that for trans-national companies, accounting policies might also reflect restrictions on repatriating dividends or royalties in foreign currencies.

These are some of the problems the IASC will have to look at when it prepares its report.

What it will recommend is hard to say but almost certainly it will be in favour of allowing countries sufficient accounting alternatives without becoming too lax. It will also probably be in favour of as much disclosure as possible so that the investor understands the economic circumstances affecting the company.

However, some countries may object even to this. For example the Bahamas would prefer not to adopt the standard on related party disclosures at all, because it feels that disclosing control over enterprises would defeat the purpose of its offshore tax haven.

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Please submit your application in confidence to: Ref: 90/111, Adrian Wheale ACMA, ACIS, Wheale Thomas Hodgins Plc, 9 Unity Street, College Green, Bristol BS1 5HH.

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Major subsidiary of highly profitable UK Group with an excellent international reputation in the industrial control field. Market leader in specialist sector with outstanding new product opportunities. Ambitious, commercially astute Finance Director sought to assist the MD enhance strategic growth and operating efficiency. Will join a young and determined new management team, running an autonomous £20 million business. Exceptional growth prospects.

THE ROLE

- Board member responsible to MD for financial and information systems and reporting plus facilities and personnel administration.
- Active role in development and implementation of an aggressive growth strategy.
- Rapid upgrade of financial reporting and manufacturing control systems to improve efficiencies and working capital management.

THE QUALIFICATIONS

- Bright qualified Accountant early/mid 30s. First class professional training with proven record in senior financial management in a recognised manufacturing organisation.
- Balanced strategic and commercial focus. Able to provide accurate financial information for decision making at both project and strategic level. Manufacturing systems implementation experience.
- Excellent interpersonal skills. Motivating others and effecting change. Potential to move to a Group Financial Director role in 2/3 years.

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Manchester 061-941 3818

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Please reply, enclosing full details to: Ref F206100L Brook House, 113 Park Lane, London W1Y 4HJ.

Technical Director

London to £55,000 package (inc. relocation)

International Accounting Standards Committee

The International Accounting Standards Committee (IASC), set up in 1973, has established itself as the recognised body for developing International Accounting Standards. It obtains support from the accountancy profession, financial analysts, regulatory bodies, stock exchanges and business communities worldwide.

Based in London, England, the Secretariat of the IASC carries out research into selected topics and prepares Statements of Principles, Exposure Drafts and International Accounting Standards for consideration by Steering Committees and the Board of the IASC. With an ambitious and demanding work programme planned for the future the IASC now seeks to appoint a Technical Director who will join the Secretariat in London.

The Technical Director will take a pro-active role in directing all IASC projects and will assist in the promotion of the use of International Accounting Standards and the enhancement of the visibility of IASC. The role will involve making recommendations to and leading discussions with Steering Committees and the Board; planning, coordinating and directing all research and technical papers; and supervising projects undertaken by research managers.

Applications are invited from qualified accountants, aged probably between 30-45, who can demonstrate a breadth of knowledge and interest in dealing with technical issues from an international perspective. The successful applicant is likely to have experience in working for an accounting firm or body, or an academic or similar institution in a technical capacity. A generous relocation package is available should the successful applicant currently reside outside the UK.

To apply, please write enclosing career and salary details, quoting reference 4472 to Geraint Evans, LLB, who is the advising consultant to the IASC, at Douglas Llambias Associates Ltd, Financial and Management Recruitment Consultants, 410 Strand, London WC2R 0NS, England.

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PQE

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Systems/Management Accountant

A high-profile business services multinational seeks an innovative individual who can contribute to its rapid expansion by improving the quality of its management accounts. Reporting to the Finance Manager, you will be using sophisticated mainframe and PC systems to create an intelligent source of business information that can be utilised by non-accounting management. Ref: PQE 1010A6

Contact the Manager, 8 Peascod Street, Windsor, SL4 1DN
0753 851447
Opposite Marks & Spencers
Or the PQE Specialist advising on this appointment on 0753 76677

BRENTFORD £27,000

Finance Manager

A multinational company has a vacancy at its head office for a Manager to exercise strict financial/administrative control over regional operations. Also to assist in the development and evaluation of new business opportunities. Excellent large company benefits are offered including company car, 25 days holiday, executive medical plan, executive bonus and long-term incentive plan. Ref: PQE139B1

Contact the Manager, 69-71 King Street, W6 9HW
081 748 9707
Opposite McDonalds
Or the PQE Specialist advising on this appointment on 0923 50350

CAMBERLEY £28,000

Management Accountant

Successful, medium-sized engineering company (subsidiary of blue chip plc) seeks qualified Management Accountant, Reporting to the Chief Accountant your role will include divisional management reporting, budgeting, costing and introduction of a new accounting system. M.o.D accounting would be an advantage. Attractive benefits package including BUPA, contributory pension scheme, discounts, 25 days holiday. Ref: 400326

Contact the Manager, 1 Cambridge Walk, Camberley, GU15 3SW
0276 22232
Next to Army & Navy
Or the PQE Specialist advising on this appointment on 0256 460399

MILTON KEYNES £26,000

Central Accounting Manager

A prestigious new company relocating to Milton Keynes is currently seeking a qualified accountant to run a large, rapidly expanding accounts function. Also to co-ordinate with other departments in the design and implementation of new financial systems. Excellent career opportunities and the package includes BUPA, pension, company car and 29 days holiday. Ref: 881711

Contact the Manager, Unit 2, Midsummer Blvd, Milton Keynes, MK9 2EA
0908 660061
By Post House

S. LONDON OTE £27,000+

Newly Qualified Company Accountant

Directorship of this medium-sized service company is a real possiblity for the successful candidate. You will be responsible for the entire accounting function of 3 subsidiaries of this rapidly expanding company and also take on supervision of a small team. Could suit someone seeking their first commercial move from practice. The negotiable benefits package could include a car. Ref: 34910A1

Contact the Manager, 52 George Street, Croydon, CR0 1PB
081-680 4034
Next to Nationwide Anglia
Or the PQE Specialist advising on this appointment on 081 770 0500

ESSEX £23,000

Project Group Accountant

A highly respected electronics and engineering company requires a qualified accountant to prepare periodic cash flow reports, monthly turnover and contribution forecasts, ad hoc costing and financial analysis projects. You will also be supervising and training a number of project accountants. Attractive package including relocation expenses, company car and 5 weeks holidays. Ref: PQE 1009C4

Contact the PQE Specialist advising on this appointment at 3 New London Road, Chelmsford, Essex CM2 ONA
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Financial Controller

A world leader in their highly specialised engineering sector, my client is a £27m autonomous subsidiary of a global company. International career development of the existing Controller has created this opportunity for a first class Accountant with proven managerial flair.

Operating at Director level, you will be responsible for providing a full financial and general accounting service for 3 discrete business divisions. Key to this role is your ability to resolve financial issues with divisional Directors, the continued development of sophisticated reporting systems and career development of the principal players in your team.

Probably a graduate, qualified and in your 30's, you will have proven financial and man-management skills developed in a large complex organisation.

This is an outstanding opportunity where success will be rewarded by an excellent package and career development on an international scale.

Please send your CV to **Tony Clarke**, quoting **ref. MD2602**, at **Macmillan Davies Consultants, Salisbury House, Bluecoats, Hertford, Herts SG14 1PU.** Tel: (0992) 552552.

Top Managerial Role
Multi-national Subsidiary

South East

£30,000 + Car

Macmillan Davies
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Financial Controller

c. £27,000 + Company Car and benefits

Prestigious Docklands Office

Super Channel is the biggest cable network channel in Europe supplying cable TV to 23 million homes in 22 countries. It is the entertainment channel that provides Europe with the only multi-lingual news service and is Europe's leader in co-production and live broadcasts.

The impressive growth of their network has led to the need to appoint an energetic and lively, young Accountant to control and develop the financial function.

Reporting to the Head of Finance and Administration responsibility will be for the production of the financial and management accounts, and will involve working closely with non financial managers, both in the UK and Europe. Ideally aged 26-33 and preferably qualified, they are seeking an experienced and technically competent, computer literate, Accountant who is both flexible and interested in becoming involved in every aspect of this exciting and innovative business.

To apply please send CV in confidence, quoting **ref: CL/121, to Chris Lane, CEDAR International, 1st Floor, 43 Eagle Street, London WC1R 4AP. Telephone: 071 831 8383**

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071-222 8037/8
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Hanson PLC

Treasury Assistant

Hanson PLC requires a dynamic energetic individual to increment its Central Treasury team.

Hanson PLC is one of the foremost growth companies of the last two decades and is committed to a continuation of this growth both organically and by acquisition in the UK and USA where half the group's businesses are located.

In the new post that has been created within the small, established Treasury, the individual will immediately gain a wide range of experience in the many different markets in which the Treasury operates. In addition there will be special ad-hoc Treasury projects arising, for which the individual will be responsible. The position offers a general corporate treasury experience within one of the UK's top ten largest companies.

The successful applicant will be a graduate or accountant in their mid-twenties, that will either have worked in a treasury environment, or sat the ACT examinations.

Remuneration will be competitive and commensurate with experience.

Applications should be made to:
The Deputy Treasurer, Hanson PLC,
1 Grosvenor Place, London SW1X 7JH.

LETTERS OF CREDIT SPECIALIST

Our company, active in oil products marketing, is looking for a specialist in letters of credit to strengthen our operations/financial department. The candidate must have a good working knowledge of the oil industry and a minimum of two years experience within a documentary credit department of an international bank involved in oil trading.

Please write in confidence, enclosing a full CV, to: Box A998, Financial Times, One Southwark Bridge, London SE1 9HL.

Glaxo

An invitation to explore career opportunities with Europe's top performing company

Meet some of our Senior Finance Managers for an informal discussion and a buffet in West London* on Thursday 25th October anytime from 4.30 pm to 9.00 pm

Glaxo's June 1990 year end results, showing profits up 11% to £1.1 billion on sales of £2.85 billion, underline the Group's position as Europe's top performing Company. This success is set to continue with the launch of a new generation of ethical pharmaceuticals.

Continuing growth will be achieved through astute business management in which finance managers will play a key role.

Glaxo Manufacturing Services Ltd, the Group's major international manufacturing company, is now seeking high potential Finance Managers and Analysts, probably aged to 30, for a number of key positions. An opportunity also exists for a computer literate part-qualified Analyst.

These are commercial finance roles where you can quickly make your mark. Glaxo also offers:

- A fast-moving Blue Chip environment with outstanding career progression
- High visibility with real influence on business performance
- Excellent continuing training programmes
- Salaries to £30,000 plus car, benefits and relocation where appropriate
- Prestigious new offices at Stockley Park, West of London

***Telephone Sue Rossiter on (0491) 410766 for details of the venue and to reserve your place. If you cannot attend please contact her at Barrett Webb Limited, Boston Road, Henley on Thames, Oxon RG9 1DY (Fax 0491 579825) enclosing a full CV.**

ASB

ACCOUNTING STANDARDS BOARD

The Accounting Standards Board is looking for a small number of experienced accountants with strong intellectual ability and good presentational skills. This is an opportunity to play a significant and highly visible role in the development of accounting standards and in shaping the Board's policy at a formative time for UK financial reporting.

Successful candidates are likely to have 5-10 years' post-qualification experience, including involvement in financial reporting issues at a senior level, possibly as a senior manager in a medium to large professional practice or at a equivalent level in industry or commerce. They will join a small, highly motivated team and take the lead role in developing their assigned projects from the initial research stage, through discussion with the Board and outside parties, to the issue of public exposure drafts and standards. One candidate may be invited to take special responsibility for the work of the proposed Urgent Issues Task Force.

A competitive salary package (including car, pension provision, and other benefits) will be offered according to experience. Secondment from an existing employer might also be considered.

If you believe that you meet this demanding specification please write by 31 October to Sydney Treadgold at Holborn Hall, 100 Gray's Inn Road, London WC1X 8AL, giving details of your career to date, specifying in particular your experience of, and interest in, financial reporting.

FINANCE DIRECTOR

Can you achieve multi-million £ financial targets?

SALARY TO £41K + PRP & CAR — KENT

With the full support of the local authority and the tenants, the newly formed Tonbridge & Malling Housing Association will shortly assume responsibility for managing 6,300 properties. The new Association provides an exciting challenge to professionals wishing to assist in the growth and shaping of a major provider of rented housing in the South-East. We are aiming to provide the highest quality social housing service for both existing and prospective tenants and are seeking people with a commitment to excellence.

The Finance Director, a member of the Corporate Senior Management Group, will be responsible for the planning and implementation of the Association's financial strategy. Key areas will include the effective management of the Association's debts and assets, as well as providing high-level advice on funding for new schemes, budgetary preparation and monitoring, and ensuring financial targets are met. The Finance Director will have overall responsibility for the management of the Association's financial matters, and will lead a team of 11 staff.

To carry out this major role you will need to be a qualified accountant with several years experience at a senior level, ideally in a Housing Assocation environment. The ability to plan and work to tight timescales is important, but equally so are breadth of vision and enthusiasm for the aims of the Association.

We have a relocation and mortgage subsidy package. A full job description is available; or if you would like an informal discussion about the post, please contact John Ridley on (0732) 844522.
Please apply by letter enclosing a CV to:-

John Ridley,
Managing Director (Designate),
Tonbridge & Malling Housing Association,
Block 11C, The Airfield,
West Malling, Maidstone,
Kent ME19 6LZ.

The closing date for applications is Thursday 1st November 1990 and first interviews will be held on Friday 9th November. Our aim is to be an equal opportunities employer.

TONBRIDGE & MALLING Housing Association

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(International Edition only)
For further information please call
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Denise Morrice
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Richard Jones
071-873 3460
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071-873 3392

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TAX ADVISER

London 1990 –Reading Autumn 1991

Circa £45,000 + Car + Benefits

With a pre-tax profit in excess of £1 billion, our client has an enviable profile in its sphere of operations. Rapid growth in its diverse businesses and an injection of new dynamic management strategies, has necessitated the expansion of the Group Taxation function.

Within the taxation department there now exists a high level position for an individual to undertake a senior advisory role, dealing predominantly with UK and International taxation.

Ideally you will be an Assistant Manager/Junior Manager, currently with a major firm of Chartered Accountants or within a commercial tax department, and have gained a thorough technical knowledge of corporate and oil related tax matters.

You will bring with you a drive and enthusiasm which will enable you to continue your career with the group both in the UK and worldwide.

As well as the advertised salary, you will be eligible for the full range of company benefits including company share and pension schemes. Where necessary, a generous relocation package is available.

To discover more regarding this exceptional opportunity, please contact Graham King on 071-437 0464, (evenings and weekends on 071-226 4557) or write to him, enclosing a detailed CV, at the address below.

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Queens House 1 Leicester Place London WC2H 7BP
Telephone: 071-437 0464

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FINANCIAL DIRECTOR - SOUTH EAST SCOTLAND

Around £45K plus equity participation and benefits.

Our Client is a UK Company in a process industry with strong export performance and turnover of £100 million with ambitious expansion objectives.

The Company wishes to recruit a professionally-qualified Financial Director with experience of working with Financial Institutions as well as providing leadership to a small but very capable central financial staff. Operations are based in four UK sites, each of which is profit responsible.

The base is in South East Scotland, close to Edinburgh.

Excellent benefits will include substantial equity participation after a qualifying period.

Please apply with full CV, including salary details, quoting ref. 402111/FT to Beverley Holmwood, Riley Advertising (Manchester) Ltd, Trafford House, Chester Road, Stretford, Manchester M32 0RS.

Please list separately any companies to whom your application should not be forwarded.

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Derivative Operations

City c£50,000 + Car + Bonus

Our client is a dynamic Financial Services Institution which prides itself on being at the forefront of product innovation and development.

Continual expansion and increasing complexity of their derivatives trading, necessitates a senior appointment within the operations area to help drive forward and effectively manage this growth.

We require a high achieving graduate with a clear understanding of trading dynamics, funding, risk, settlements and the information requirements of the front office.

Probably aged 27-32 and with exceptional analytical and interpersonal skills, the successful candidate will thrive on challenge and responsibility and already have exposure to a dealing environment.

Interested applicants should contact **Diane Forrester ACA, Michael Page Finance, Executive Division, 39-41 Parker Street, London WC2B 5LH. Tel: 071-831 2000. Quoting Reference 1002.**

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CREDIT INSURANCE

The Credit Insurance Association is Europe's largest specialist credit insurance broker. The increased demand for credit insurance, coupled with new marketing initiatives, has created opportunities in broking and sales for New Business Developers to be based in London, Birmingham, Manchester and Leeds.

The successful candidates will be experienced in credit, or other financial sector industries. As key members of a highly motivated Sales and Marketing team, they will need to demonstrate proven skills in both new business development and broking techniques.

& very attractive packages to include
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Company Benefits

Write enclosing your C V and a confidential daytime telephone number to: Stephen Buer
The Credit Insurance Association Ltd
13 Grosvenor Place
London SW1X 7HH

CIA

FINANCIAL DIRECTOR

SUBSTANTIAL PACKAGE+EXECUTIVE CAR SWANSEA S.WALES

This is an exceptional opportunity to join the market leader in home fitness equipment at a crucial stage in its development. As Financial Director, you will play a key role as a member of the executive team shaping the companys' future in Europe. The position calls for a qualified and experienced person whose accountancy skills have been honed within a multinational manufacturing company. You will be responsible for all aspects of the finance function, assisted by a small staff, including the involvement in setting up and direction of an enhanced computer operation.

The successful candidate must be flexible to change, innovative and have proven management skills. Preferred age range: 28-50.

The substantial salary package includes performance bonus, fully expensed executive company car, private medical scheme and full relocation expenses.

Relocation to the Swansea/Gower area will be necessary.

Please send full CV to: ALEX TAWNEY
21 THATCHER AVENUE TORQUAY DEVON. TQ1 2PD
TELEPHONE: 0803 211005

DP Fit for Life

"SPECIALIST PERSONNEL RECRUITMENT"

FINANCE MANAGER

AGE 25-35 LONDON

This is an excellent career opportunity to join the Management Team of this prestigious Private Hospital Complex.

The successful applicant will report directly to the Associate Executive Director/Finance and should be ACA or ACCA with at least two years' post-qualifying experience, preferably in the commercial field. Knowledge of a computerised financial accounts system and a determination to achieve deadlines are required as is the ability to supervise staff and communicate with all levels of management.

The Hospital offers an excellent working environment along with a generous salary and benefits package.

Please apply in confidence, enclosing a CV and salary details to Mr Graham White, Personnel Director,

Humana Hospital Wellington
Wellington Place London NW8 9LE

Finance Director

Sheffield to £40,000 plus car

Young, successful patented safety products marketing and manufacturing company in second phase of start up, already at £1m per month sales and growing fast, needs a qualified accountant who can manage growth and run the business for its talented owners.

Candidates to be 30-45, ACA/ACCA/ACMA, already within sensible commuting distance of Sheffield and experienced in financial control of a significant profit centre, ideally in a high volume multi-transactional business. Manufacturing exposure desirable. Must be thoroughly computer literate.

Write in confidence, demonstrating your relevance clearly and enclosing CV to:
John McManus FCIS FIPM
JC&P, 104, Marylebone Lane,
London W1M 5FU. Ref: 4125FT.

John Courtis & Partners
Search and Selection

FINANCIAL CONTROLLER

East Herts to £28,000 + car

This office equipment dealership operates on a business to business basis providing the hardware, together with service and consumables support, for the modernised, integrated office market.

Reacting to past growth and also preparing for the future, they now wish to appoint a Financial Controller reporting to the Board. Supported by a small team, your role will be to develop the financial systems, providing prompt and accurate information to aid the decision making process. You will be a full member of the management team and should be able to demonstrate your ability to contribute at this level in a sales orientated environment.

As a recently qualified accountant, you will have an excellent opportunity to establish yourself in a growing company.

Please write enclosing full career and salary details to **Bernard Farmer FCCA** at the address below or telephone **043871 6070**

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FINANCIAL CONTROLLER

West Africa

£40,000 Tax Free + Substantial Expatriate Benefits

With a turnover in excess of £5 billion, our client is one of the world's best known names in FMCG. They now seek to further strengthen their international presence through a clearly defined strategy of expansion.

With specific attention focused on the potential that the West African markets provide, they now seek to appoint a Financial Controller to work alongside the recently appointed expatriate Managing Director.

Liaising closely with the marketing, production and distribution departments the role encompasses all areas of business support, strategy implementation and comprehensive financial management and control. The Financial Controller will also provide a full reporting service to Head Office in the UK.

Probably aged 28-40 the successful candidate will be a qualified Accountant with previous experience of financial control gained in Africa or elsewhere in the Third World. An FMCG background will be useful, while first hand experience of developing external relations and a rigorous approach to management are prerequisite. Fluency in French and English is essential.

To attract the quality of candidate that we are seeking the package will consist of a generous tax free salary, free furnished accommodation, fully expensed car plus the usual senior executive expatriate benefits.

Interested applicants should telephone Simon Hewitt on 071-437 0464, (fax 071-437 0597) or write to him, enclosing a detailed CV, at the address below.

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FINANCIAL PLANNER

£50k + BANK BENEFITS CITY

One of the largest UK S/brokers require professionally qualified person with good knowledge of the Stock Mkt, Tax, Trusts and exp'd in dealing with Private Clients. Ideally from Accs, Sols, S/brokers or Financial Institution. To work with the FD in a management role. Call Michelle McDevitt on 071-613-2200, 6 Punderson Gardens, London, E2 9QH. AGY

Management Accountant

Communication Arts is a new company bringing together the finest creative skills and emerging computer technologies to provide design consultancy and systems services. Our services bring major benefits to our clients, enabling them to optimise their production effectiveness and marketing, and provide us with tremendous growth opportunities. In the first 18 months we have successfully won and completed major projects and developed a strong trading profile.

We are now looking to appoint someone to manage the financial function of the company as we grow. With a strong management accounting bias, you will work with the directors to define trading policies and management information systems tailored to meet the needs of our design and systems groups, and take charge of the day-to-day financial systems, with assistance. You will also take the lead in formulating credit, pricing and other financial policies appropriate to a project-oriented selling environment.

In return, we offer a comprehensive salary and benefits package including company car and pension, and the chance to grow with a company at the forefront of a new technology. If you feel you can make a contribution in this key role, send your CV to Pam Fisher, or telephone for further discussion.

COMMUNICATION ARTS

Communication Arts
Freyberg House,
Eversley Way,
Egham,
Surrey. TW20 8RY
Tel 0784 471444
Fax 0784 471496

FINANCIAL PLANNING & CONTROL OFFICER

The Multinational Force & Observers, an independent international organization charged with monitoring the security provisions of the treaty of peace between Egypt and Israel has an opening for a **Financial Planning & Control Officer** at its headquarters in Rome, Italy. An initial two-year contract with the possibility of renewal is being offered. The ideal candidate will be in his/her late twenties, qualified, ICA, CACA or CIMA, possess five years of both financial and management accounting experience, as well as experience with Lan based accounting systems and supervisory skills. This position involves some travel, benefits include attractive salary, tax free status, housing and medical insurance. Interested individuals should send CV with salary history to:

Chief of Personnel, American Embassy/MFO, APO New York 09794-0007 or by fax to Rome, Italy: (39)-6-592-0652

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